REVEREND FATHER P. CARTY
COMMEMORATION VOLUME

082
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REVEREND FATHER P. CARTY
COMMEMORATION VOLUME

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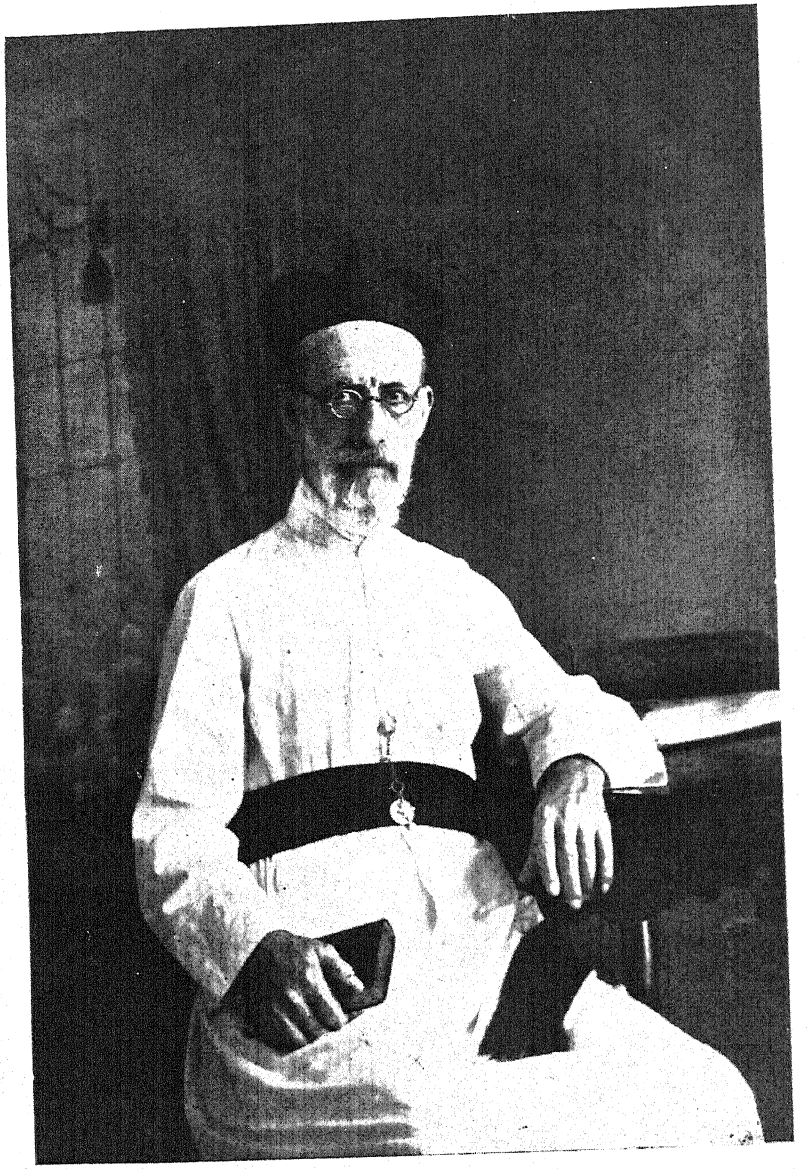
REVEREND FATHER P. CARTY, S.J.

ON HIS SIXTY-FIFTH BIRTHDAY



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FOREWORD

This Commemoration Volume that is presented to-day to The Rev. Father Carty, S.J., on his 65th birth-day is unique in more senses than one. It is not usual amongst Indians to celebrate the 65th birthday; nor is such a practice common among Europeans. While commemoration volumes have been presented to distinguished educationists in previous years, I believe this is the first occasion when such a volume is presented to a member of the Society of Jesus and to one who is not of the soil but yet has made India peculiarly his own and given to it the best years of his life. The spontaneity of the response to the appeal issued in this connection and the distinguished contributors who have so readily acceded to the request of the Committee to contribute articles and send messages and greetings bear ample testimony, if such a testimony were indeed required, to the regard, esteem and affection in which The Rev. Father Carty is held by his numerous friends, admirers and old students. South India has been indeed blessed with great educationists at all times. To mention but a few—who are alas! not with us to-day—the names of Porter, Gopal Rau, Ranganatha Mudaliar, Miller, K. Ramanujachari, T. Chelvakesavaraya Mudaliar, Bertram, Honore are still remembered with gratitude not only by those who sat at their feet but by the many to whom the traditions of those illustrious names have been handed down from generation to generation. In this notable galaxy of educational stars, Father Carty will occupy a place of his own as a person who has distinguished himself for over thirty years in the cause of University education and whose contribution to the educational and moral uplift of successive generations of South Indians has been as remarkable as it has been gratifying. His persuasive manners, his endearing personality, his zeal for the cause, the earnestness and pains that

he always evinced, and above all, his love for his students have won for him the regard and affection of all those who had the opportunity and the privilege of coming into contact with him; and, spread as they are throughout the length and breadth of India in various walks of life, high and low, they have carried with them the most pleasant recollections of one who was not only an outstanding educationist but exemplified in himself the true orthodox style of the Guru, what a model teacher ought to be.

Father Carty's devotion to education naturally led him on to those spheres of activity where his ripe knowledge and experience would be utilised to the best advantage of higher education. As a member of the Senate and of the Academic Bodies of the University, he has been honourably associated for over twenty five years and has served in the chief executive body of the University of Madras, the Syndicate, continuously almost since the remodelled University was constituted under the University Act of 1923. It is impossible to do justice to all his academic activities in this direction but the tribute paid by his colleagues on such University bodies will reveal to some extent the substantial contributions he had always to make for that orderly progress, high idealism, noble endeavour and sound academic tradition which he loved to see established in the affairs of the University. Himself of a retiring disposition, avoiding the lime-light, and never so happy as in the presence of his chosen students, Father Carty is not the type of person who could ever stump the pulpit or stage his performances to the accompaniment of the big drum. But a light of such sparkling splendour could not be hidden under a bushel and it is but natural that those who came in contact had necessarily to pass to others some of that radiant and pleasing brilliance.

It is not for me to speak of the contributions he has made in the field of History and Economics; but those most competent

to pronounce a judgment have no doubt whatsoever that Father Carty is one of the few brilliant Professors of the science of Economics who have in a large measure, shaped the career of distinguished economists of Southern India, who to-day adorn the professorial chairs of the various Colleges and Universities and many other official positions open to such persons. At an age when most people would be content to rest on their laurels, Father Carty is insatiable in his desire to make himself useful to the younger generation. His life is a perpetual illustration and example to succeeding generations and I join in the prayer that will go out tonight from all those who have ever come across with him that he may long be spared with us to continue his useful work and be a source of inspiration to his friends, admirers and students.

MADRAS,
12th September, 1941

A. LAKSHMANASWAMI MUDALIAR,
President,
Fr. P. Carty's 65th Birthday Celebration Committee

REPORT OF THE COMMITTEE

At a meeting of pupils, friends and admirers of the Rev. Fr. P. Carty, S.J., held on the 10th January, 1941 at the University Departmental Buildings, Madras, it was resolved to commemorate the services of Father Carty in the field of education, and historical and economic teaching and research by presenting him with a Commemoration Volume of essays on Politics and Economics on the occasion of his 65th birth-day, August 4, 1941. The members present constituted themselves into a Working Committee with power to add, and elected Rao Bahadur Dr. A. Lakshmanaswami Mudaliar, Principal, Madras Medical College, as President, Dr. P. J. Thomas, University Professor of Economics and Dr. P. S. Lokanathan, University Reader in Economics as Secretaries and Mr. V. R. Ramachandra Dikshitar, University Lecturer in Indian History as Treasurer. The Committee appointed an editorial board consisting of Messrs. K. C. Ramakrishnan, University Lecturer in Economics, Mr. V. R. Ramachandra Dikshitar, University Lecturer in Indian History, Mr. L. N. Govindarajan of the Loyola College, Mrs. T. J. Cleetus of the Queen Mary's College, and Prof. A. Hirudayaswami of St. Joseph's College, Trichinopoly.

The Committee further resolved to present an oil painting of the Rev. Fr. P. Carty to the University of Madras with which he has been connected for over a quarter of a century in different capacities as a member of the Syndicate, Senate, Academic Council, Council of Affiliated Colleges, Boards of Studies in History, Economics and Commerce, Boards of Examiners in History and Economics and Sir William Meyer Lecturer. It was further decided to endow a lectureship in the name of Fr. Carty in Economics with special reference to Indian conditions if suffi-

cient funds were forthcoming. An appeal was sent out to the students and friends of Father Carty and the response has been spontaneous and encouraging. The editorial board has been able to secure articles of varied interest mostly from the former pupils of Father Carty besides reminiscences and appreciations all of which are included in the volume.

At a later meeting of the Working Committee it was unanimously resolved owing to circumstances beyond their control to postpone the date of the celebrations to September 12, 1941.

The Committee's thanks are due to the G. S. Press for their admirable printing of the Volume and to Sri K. V. Vaidyanathan for the excellent oil painting of Father Carty. The Committee desires to thank the following gentlemen who, authorised by the Committee, constituted themselves into Local Committees to collect donations from the respective areas.

Rev. Fr. T. Gonsalves,	Bangalore.
Prof. V. Ramanathan,	Ernakulam.
Rev. Fr. Romeo Thomas,	Changanacherry.
Prof. S. Ramachandra Ayyar,	Mangalore.
Prof. J. Pettah and Mr. S. F. Nunez,	Trichur.
Rev. Fr. S. Mudiappar,	Palamcottah.
Prof. P. E. Subrahmanya Ayyar, Prof. A. Hirudayaswami, Mr. M. Natesa Mudaliyar,	Trichinopoly.

The old boys of St. Joseph's College at Delhi constituted a local committee of their own consisting of Messrs. K. A. Joseph, S. M. Ramachandran and C. Parthasarathy.

To them also we tender our thanks.

Lastly, the Committee cordially thanks the ladies and gentlemen from Simla to Colombo who by their co-operation and contributions have contributed so much to the success of the celebra-

tions to-day in honour of one of the most illustrious educationists of Southern India.

In conclusion we may say that the response was generous. Yet the financial contributions are being received. The Committee takes this opportunity to make a fervent appeal to the pupils of Father Carty and the generous public to strengthen them with further monetary contributions. The subscription list will be kept open till the end of the year.

V. R. R. DIKSHITAR,
Treasurer.

P. J. THOMAS,
P. S. LOKANATHAN,
Secretaries.

MADRAS,
12—9—41.

LIFE AND WORKS OF REV. FATHER P. CARTY S. J.

Hemmed in by the Atlantic on the west and by the Pyrenees on the south, lies Bearn, the south-westernmost province of France, noted among other things for the lovely sea-side resort of Biarritz which, at that extreme corner stands like a living hinge between the last slopes of the hills and the waters of the Bay of Biscay and has for long been a great attraction to visitors, the most distinguished, if also one of the most frequent, visitor in his day being King Edward VII, the far-sighted statesman of the Anglo-French *Entente Cordiale*. In the beautiful city of Pau, the capital of this province, Father Pierre Carty was born on August 4, 1876.

After completing his earlier studies in his native city, Father Carty proceeded to Bordeaux, the seat of the Provincial Academy, and took there the B.Sc. degree of that University. He then applied for and obtained permission to join the Madura Mission in charge of the Jesuits of the Toulouse Province. He arrived at Trichinopoly, which was till recently the headquarters of the Mission, on October 6, 1894. The Mission authorities were then laying the foundations of a training college for the young members of their order on the Pulney Hills, and Father Carty belonged to the first batch sent to that, now far-famed, Sacred Heart College of Shembaganur. As is well-known, the Society of Jesus has a long and intensive programme of formation in which, besides the religious training, studies in literature, classic and modern philosophy, history, pedagogy, sciences and theology have their definite place, while special literary and scientific courses for those who manifest natural aptitudes for them are also provided. The whole programme extends over a period of twelve to fifteen years, usually broken up after the philosophy course by some years of teaching under guidance in one of their schools or colleges. Father Carty thus began his teaching career in 1901 under the well-known Father (former-

ly Major) J. W. Sewell S. J., who was then the Principal of St. Joseph's College, working both in the High School and in the College with History and Economics as his subjects.

He went back to Europe in 1907 to complete his theological studies. While he was in Belgium he pursued his economic studies at the Louvain and Brussels Universities, availing himself in the latter place of that treasure house of information known as "L' Institute International de Bibliography." He next went to Paris where he attended the lectures on Politics and Economics of the *Ecole des Hautes Etudes;* and later he spent some months at Oxford and Cambridge where he came into contact with some of the leading economists of the time, particularly Francis Y. Edgeworth and L. L. Price at Oxford and W. Cunningham and A. C. Pigou at Cambridge.

Professor Alfred Marshall had just then retired from active teaching and had been succeeded as Professor of Political Economy in the University of Cambridge by his brilliant pupil, A. C. Pigou. Though the authority of the Cambridge School of Economics—founded by Marshall—was practically unquestioned and its moderate use of the mathematical method has long remained the authoritative guide of British Economics, a sense of healthy rivalry was observed already then in the study of the subject by the mathematical approach at the sister University under its leading economist Professor Francis Y. Edgeworth. Though a trained mathematician, Professor Marshall was especially concerned with the practical phenomena of economic life, and his advice on the use of the mathematical method was characteristic; mathematical formulas could be used as an abbreviated language, not as a means of research. Professor Edgeworth's attitude was decidedly different. He was fond of abstrations which he developed for their own sake with the result that he was at times far removed from real economic experience, while, in other cases, he hit on fruitful ideas which he could not have attained without the use of the mathematical method. Although Professor Pigou remained a loyal disciple of the Cambridge Master, some of his works have shown that he was none the less influ-

enced by the mathematical approach of the Oxford Professor. That Professor Edgeworth could also tackle practical problems was evidenced in his course on "Railway Problems" which Father Carty attended at his invitation and has always remembered as a type of teaching at once homely, searching and constructive.

When Father Carty returned to Trichinopoly in March 1911, the University of Madras was turning a new page in the record of its progress, having just framed the regulations for the introduction of the Honours Courses of studies. The St. Joseph's College was at once affiliated in Honours Mathematics, Physics and History and Economics with Father Pruvot, Father Honore and Fr. Carty as heads of the respective branches. It is now thirty years since Father Carty took up this onerous duty, and the unstinted appreciation and admiration which so many generations passing through his hands have steadily cherished for their revered teacher, guide and friend, is the best proof of the value in which his teaching is held and of the lasting influence he has been able to wield over his students. Two characteristics have often been recalled: the urbanity of his manners together with the high regard in which he held every one of his students, and the emphasis he always laid on the human aspect of economics. They both bring out the character of the man himself for whom education is a sacred trust whether by the human relationships which it creates or by the human values which knowledge—especially knowledge of the social science—is expected to impart. This high sense of responsibility as a teacher, which he primarily applied to his own students, he nevertheless extended also to other students when he saw his way to satisfy the eager demands addressed to him from other colleges desirous of hearing him. He thus gave a series of stimulating addresses at a number of colleges, leading to a keener desire on their part to have more of them which he greatly regretted he could not satisfy.

For some years Father Carty taught Politics and Economics but after 1918 when he had already been appointed Rector

of St. Joseph's College, he gave his undivided attention to the teaching of Economics while remaining in charge of the History and Economics department. Meanwhile the University of Madras was pleased to avail itself of his services in the cause of education, and as early as 1914 we find him a member of the Senate on which he has been continuing ever since. In the same year he was appointed to the new Honours Board of examiners in History and Economics, in which for more than ten years, he did yeoman service in fixing and maintaining the standards of the new courses. He had also the rather unusual distinction of being nominated to the three Boards of Studies in History, Economics and Commerce.

In 1923 the new Madras University Act superseded the Act of Incorporation of 1857, the main object being to reorganise the University and to establish a teaching and residential University at Madras, while enabling it to continue its control over the Colleges affiliated to it. The University bodies were reorganised under the new Act, the Academic Council and the Council of Affiliated Colleges being added to the Senate in order to secure a fuller and more direct representation of academic interests and institutions. Father Carty was elected to both these bodies and he played an active part in their constructive work. Finally two years later he was elected member of the Syndicate, a responsible position, to which he has been returned uninterruptedly for the last sixteen years—this being a most tangible mark of the public appreciation of his remarkable services in the cause of education in this Presidency. Further special marks of this appreciation were the choice made of him by H. E. the Chancellor of the University to deliver the convocation Address in 1933 to the graduates of the year—an address which ranks with the best of its kind and has been assigned a place of honour in a recent collection of Convocation Addresses—and the invitation made to him by the University in 1939 to deliver a series of lectures on an economic subject under the Sir William Meyer Endowment, one of the most valued prizes of the University. These lectures have since appeared in book form under the title

"Economics, a Social Science," and they have helped to make known to a wider public some aspects of a teaching with which his numerous students had long been familiar. In its notice of the book, *The Indian Review* very aptly remarked: " The lectures form a brilliant piece of criticism and constructive analysis, full of forceful arguments and amply supported by the view of eminent authorities. They establish the point that Economics should not be a sterile and merely positive science, but should be a useful instrument in furthering the economic progress and social happiness of mankind." It is not generally known that he never yielded to the repeated pressure of friends who were anxious to make him the Vice-Chancellor of the Madras and the Annamalai Universities, for no other reason, than that the acceptance of the honour would tear him away, though for a brief period, from his teaching work and his students. We can only mention here that he was a member of the "Tamil University Committee" appointed by Government under the Chairmanship of the late Rajah of Ramnad in 1928-1929. The Committee toured the Tamil Nad to study the possibilities of starting a new University representing a linguistic area, and the outcome, thanks to the princely munificence of Raja Sir Annamalai Chettiar, Kt., was the creation of the Annamalai University.

While these extra activities were bound to take a large share of his time, Father Carty never allowed them to interfere with the full realisation of his primary duties as a teacher. His students are never tired of recalling the clear, methodical and ever lively form of his lectures, even in a subject so unsettled and at times so intricate as Economics. The unusual amount of time and preparation which it involved, the University work and the endless stream of visitors kept him ever busy, and, as the familiar saying goes, he was always at work either in the class room or at his desk. The representatives of large publishing firms repeatedly requested him to be allowed to publish the substance of his lectures for the benefit of a wider audience than that of the class room. He probably could not find the time to do justice—as he

understood it—to such a flattering demand, but there was surely the deeper reason that, being a teacher, he felt he owed himself primarily to his own students. The result has been that instead of adding to the printed word beyond what he has published in the shape of articles and his book "Economics, a Social Science," he has scattered, as so many living books, throughout India, an impressive number of young men who have shown either as teachers of Economics, or as professionals or as Civil Servants, even among the higher ranks, that the foundations of their economic knowledge had been "well and truly laid." The hearty response which his Old Boys have made to the proposal of celebrating his 65th birthday this year must have convinced our revered Professor and Guru that his high ambitions for the greater good of his students had sunk into their hearts and fostered there an abiding sense of imperishable gratitude.

THE EDITORIAL BOARD.

TRIBUTES FROM FRIENDS

Sir Mahomed Usman, K.C.I.E., B.A.,
Vice-Chancellor, University of Madras.

I have great pleasure in associating myself with the 65th Birthday Celebration of the Rev. Fr. P. Carty, S.J., and in paying my tribute to him on the occasion.

He has been connected with the University of Madras for over twenty-five years in various capacities, as a member of the Board of Examiners, Board of Studies in History and in Economics, Academic Council, Senate and the Syndicate, and during this long period he has played a notable part in shaping the courses of study in History and Economics and setting up proper standards. He has been very largely responsible for the growth of economic studies in this University, and he occupies the foremost place among the distinguished economists of South India.

His deep and abiding love for his students, his profound learning and scholarship, and his pleasing personality and humour are some of the qualities that have endeared him to his students and the public. South India owes a great deal to him for the advancement of higher education. I wish him long life and many more years of useful service to the cause of higher education.

Dr. Rajah Sir S. R. M. Annamalai Chettiar, Kt., Ll.D., of Chettinad,
Pro-Chancellor, Annamalai University.

It is an admitted fact that South India owes much of its educational progress to missionary initiative and enterprise. Of the many missionary agencies engaged in the work, the Jesuit Mission easily takes a deservedly high place. The Fathers are living examples of what selfless service can achieve in educational as

in other fields. Father Carty has, true to the traditions of the great organisation to which he belongs, given freely and ungrudgingly of his best for the education of the young. He is an outstanding figure in the academic life of Madras. He is well-known as an eminent Professor of Economics. The students who have had the privilege of sitting at his feet and imbibing his passion for deep thinking and methodical work owe him a deep debt of gratitude for his unselfish labour on their behalf. To know him is to love him and admire him for his indefatigable industry and thoroughness in all he undertakes to do. He has earned by his spirit of service and sacrifice an abiding place in the loving hearts of many of his students, friends and admirers. It is with great pleasure that I wish him many more happy returns of his birthday.

SIR A. RAMASWAMI MUDALIAR, KT.,
Commerce Member, Government of India.

It is with pleasure that I associate myself with the many expressions of warm appreciation of the great services rendered by Reverend Father Carty S. J. who has so long been connected with the Educational activities of a premier College in the Madras Presidency. Fr. Carty comes of an old Order with a self-denying ordinance and those who have watched the progress of education in South India keenly appreciate the great contribution he has made in this direction. I have had the pleasure and privilege of his friendship for many years and particularly during the period I was a Senator of the University of Madras, and I have always considered him as a model to be emulated by educationists of all ranks. Father Carty combines in himself high academic attainments, with simple and unostentatious ways. He has had a beneficient influence on all who have come into contact with him. It is most appropriate that the occasion of his 65th Birthday should be availed of to give expression to the appreciation of the general public in general and of educationists of South India in particular.

SIR P. S. SIVASWAMI AIYAR, K.C.S.I., C.I.E., LL.D.,
Madras.

From the days of Fr. Bertram, I have entertained the highest esteem for the Professors of the St. Joseph's College at Trichinopoly, for their ideals of selfless devotion to the cause of learning and education, their sympathy with their pupils and their deep and sincere interest in their welfare. Fr. Carty has worthily upheld the traditions and ideals of the St. Joseph's College. His learning and modesty and powers of exposition have commanded my respect. I hope he will be spared in health and strength to continue the admirable work he has been doing for so many years. I am glad to have an opportunity of paying my tribute to an eminent professor.

MR. H. C. PAPWORTH, M.A., I.E.S.,
Principal, Presidency College, Madras.

It is a great privilege to take part in the celebrations which have been arranged under the auspices of Madras University to felicitate Father Carty on the occasion of his sixty-fifth birthday, for he is one of the most brilliant educationists I have known, and a man whose selfless services are a unique and inspiring example to us all.

Even if we judge him by the exacting standards of the Society to which he belongs instead of by those of ordinary men, his merit, his aristocracy of mind, and the excellence of his work are still shining exemplars of what a great man can achieve, and of the legacies he can bequeath to all who have been fortunate enough to come within his influence.

MR. N. S. SUBBA RAO, M.A.,
Vice-Chancellor, University of Mysore.

I desire to associate myself with the tribute that is proposed to be paid to the Rev. Father P. Carty by his friends and admirers,

among whom I gladly enrol myself. More than a quarter of a century ago I came into association with Father Carty as a Member of the Board of Examiners in History and Economics, and for several years we were fellow examiners. I learned with others to appreciate his scholarship and his courteous ways with his colleagues. We all know what a power for good and the advancement of sound scholarship he has been in the Madras University, and a large band of students owe to him their initiation into the mysteries of the science of Economics. I rejoice with others that an opportunity has been offered to us to express our regard and affection for him.

REV. FR. L. D. MURPHY, S.J., M.A.,
Principal, Loyola College, Madras.

Fr. P. Carty, S. J., is one of the few men whose whole life has been given undividedly to University Education. The experience of a lifetime intimately in touch with every detail of University life together with the sound logical uncommon sense of a Frenchman give to his opinions both weight and authority. At the back of all this we who know him as a member of a Religious community see the driving force which keeps him as hard-working in his selfless detachment at the age of 65 as at any other time of his life. He has not looked to the service of God as a source of comfort or exaltation and still less has he made of it the delusion of some mystical experience. God dwells in the hearts of his students and therefore he has given them punctual, faithful, unremitting service. His students are now scattered over the whole of India and they will rejoice to know that their University is carrying out the wish of their hearts in honouring to-day so signally their Guru.

RAO BAHADUR K. V. RANGASWAMI AIYANGAR, M.A.,
Hon. Professor, Benares Hindu University.

The opportunity to take part in the commemoration of Father Carty's scholarship and services as a teacher and economist is one which I naturally prize. I was associated with him in academic work in the presidency for over twenty-five years and I have been honoured with his friendship. It is therefore my duty to contribute my rill to the great stream of appreciation which has its springs in many quarters. Our acquaintance began thirty years ago, when both our Colleges were affiliated in the new Honours course in History and Economics. It soon ripened into intimacy. We served on the same academic bodies, and sat on the same University Boards all the time. We shared our apprehensions of the grave effects which the University Act of 1923, when it was introduced and subsequently enacted, would have on the status and prospects of mofussil colleges. We strove together to secure equality of position for affiliated and constituent colleges, and some of my happiest recollections go back to our efforts in that direction. Persons come close to one another even more by sharing common disabilities than by associated work. It was so with us. As examiners, we usually were put together to value the same papers. It gave unique opportunities for close understanding and insight into each others' minds. Though, as the result of differences of outlook and training, we often approached problems from different angles, our conclusions and results usually coincided. I gained confidence when this happened.

The University of Madras has been happy in the rich variety of tradition and experience which its teachers of Economics and History have brought to its service. In the early years of the University, the outlook was coloured by experience, largely British. A change in the prevailing modes was desirable for progress, especially in the teaching of the social sciences. My honoured teacher, Professor R. S. Lepper, who had sat at the feet of Marshall and Sidgwick, Maitland and Prothero, Cunningham and Lowes Dickinson, and had subsequently read under

the aged Roscher and familiarised himself with the work of Schmoller, Giesebrecht, Giercke, and Treitschke, reinforced by his example and influence not only the trend towards the Cambridge ideals, but imported the traditions of the German Historical Schools. Father Carty's predecessors in the Economics Chair at Trichinoploy had claimed attention to the Scholastic and Catholic points of view and atleast one work representing them used to be prescribed for M.A. students in Economics. Father Carty's personal contribution to Economics studies in our presidency has been a synthesis of the best British tradition with the Latin or Gallic tradition for which he had acquired a special equipment. His studies in Economics and Politics in Paris, Brussels and Louvain had been followed by sometime spent in Oxford and Cambridge, and particularly under the subtle and versatile Edgeworth. Father Carty's influence as an Economics teacher has proved a useful corrective against a tendency to narrowness and insularity and to make our Economics departments feeble replicas of those in the older British Universities. It is a great contribution.

When a teacher so endowed brings to his task considerable powers of analysis and expression, acuteness and tolerance, a high sense of vocation, habits of precision in statement and love of accuracy, eloquence and humor, along with insight into the needs and minds of his pupils, his position in the front rank of educationists is assured. It has been so with Father Carty.

A contemporary is denied the chance of learning first-hand of the skill of a teacher with whom he is co-eval. His knowledge of it has to be indirect and inferential. My ideas of Father Carty's gifts are derived from observation of the effects of his training on students, who came to me for advanced work from his classes, or became my colleagues. It was in that way that I came to realise the value of the training their minds had received at Trichinopoly. My best co-adjutor in teaching Economics at Trivandram was a favourite pupil of Father Carty. When the University of Madras came to man its Economics Department

with its own *alumni,* the staff recruited came to be exclusively from Father Carty's class-rooms. Other testimony to the effectiveness of his labours is needless.

To assess or analyse one's personal obligation to an intimate and senior contemporary and friend is not easy. I only know that my debt to Father Carty is not small. What correctives his wider knowledge and richer experience have furnished my own mental growth I am unable to define. But for the more tangible facts of helpful advice, steady support and loyal co-operation in common academic endeavour, given me often and willingly by Father Carty I shall always gratefully testify.

SIR A. P. PATRO, KT., K.C.I.E.,

Madras.

Rev. Fr. P. Carty, S. J. is a great teacher and educationist of Southern India. His popularity and organising capacity were almost equal to another great teacher and educationist Rev. Dr. W. Miller, C.I.E., of the Madras Christian College. Rev. Fr. Carty is one of the great architects of University education in South India and he developed his college, St. Joseph's College, to take a front rank in the affiliated colleges of the south. The great success of the College is not a little due to the personal influence and character of Rev. Fr. Carty. He will be long remembered in South India as an ardent lover of learning and culture which he instilled into the *alumni* of the College year after year and the monument he raised in the furthermost development of the college to be worthy of a university college will bear testimony to the future generations.

REV. A. J. BOYD., M.A.,
Principal, Madras Christian College, Tambaram.

I was glad to hear that, in connection with the celebration of Father Carty's sixty-fifth birthday, a Commemoration Volume was being prepared. It will contain tributes from many who have known him much longer than I, for I have been acquainted with him personally only during the last three years, but I am glad to join with older friends in this work of admiration and affection. Fr. Carty is one of the Elder Statesmen of the University, but there is nothing elderly about him. Meeting him at close quarters, one is struck by the clarity of his thinking and the incisiveness of his speech, and on occasions there is a touch of gaiety also which confirms the impression of youthfulness. The University owes Fr. Carty a great debt—indirectly, because of his distinguished service to many generations of students in St. Joseph's College, and directly because of the work which he has done in the authorities of the University itself. It is difficult to know which debt will, in the ultimate retrospect, appear the greater, but it is good to acknowledge now that we do feel ourselves his debtors and to express the hope that he will put us still further in his debt before he decides to close the account.

DEWAN BAHADUR DR. S. KRISHNASWAMI AIYANGAR,
M.A., HONY. PH.D.,
Madras.

My acquaintance with Father Carty of the St. Joseph's College, Trichinopoly, began about thirty years ago, when for the first time we came together at the University of Madras. Father Carty as Professor in the St. Joseph's College, Trichinopoly, was in many respects a unique personality even for that institution, where the relationship between professor and pupil is generally much more intimate than elsewhere. With popular colleagues around him, Father Carty acquired a peculiar hold upon the students who spoke of him with sincere regard and es-

teem, even for an institution where teachers are generally popular. A man of few words, he still managed to evoke in those who came in contact with him a genuine feeling of regard and affection. We have had to come into contact with each other in various University bodies, and much more intimately in the Boards of Studies and Faculty meetings, as well as those of the Academic Council and the Senate, and for some years on the Syndicate as well. I have always found Father Carty a man of steady even temper, and it would be hard to provoke him even in the warmest of discussions. Whatever he had to say was always worth hearing and seriously considered, and my personal regard for him was always great. Perhaps I might flatter myself in the belief that I enjoyed a great measure of his consideration. As an expert teacher of Economics, as Professor generally, and as a member of various bodies, small and great, of a technical character in which University subjects came up for discussion, his suggestion has always been informing and useful for the purpose in hand. It is but appropriate that the general esteem enjoyed by him should find expression in the form in which it does on his reaching his 65th year. May it be that he goes on without scathe to the 75th and onwards, let us say, to the 105th year. Even so, our esteem for him will remain undiminished all the while.

PROF. T. K. DURAISWAMI AIYAR, M.A.,
Madras.

I offer my most humble tribute of affectionate regard on the occasion of the 65th birthday celebration of Father Carty. I have been associated with the Father in the work of the Madras University for over twenty years. It is not for me to speak of the very beneficial influence he has been exercising on the general direction of the affairs of the University. I may however, be permitted to speak of the inestimable services he has been render-

ing to the Madras University by the invaluable character of his work on the Boards of studies in History and Economics. The direction that has been given to the courses of studies in History and Economics bears the impress of his mind more than that of any other single person in the University. He is above all one who shuns lime light but gives of his best even at the sacrifice of his health to any work that he undertakes. I must be forgiven for sounding a personal note since I have derived no small amount of assistance and helpful guidance in the work I had to do for the University. I pray to god that Father Carty may live long so that his beneficient influence may spread even more widely.

S. SATYAMURTI, M.L.A. (*Central*).

I am very glad to respond to the kind invitation to send a tribute to the Rev. Father Carty and his work. I have had the privilege of knowing and working with the Rev. Father, in academic bodies for many years now. Father Carty is a simple, learned and kind Professor and colleague. His sympathies are wide. His learning is profound. He has identified himself with his college, his academic work, and his students and studies so much that it may be said truly, he has no existence outside them.

St. Joseph's College, Trichinopoly owes a great deal to him. The Madras University also owes a great deal to him. For several years now he is a respected member of the Syndicate, of the Senate, of the Academic Council and of several other University bodies and Committees. I know at first hand Father Carty's contribution to the solution of many academic problems.

I am therefore very glad that the good Father's work is being appreciated in an appropriate manner. I wish Father Carty many more years of useful academic work.

TRIBUTES FROM OLD BOYS

P. J. THOMAS, M.A., D.PHIL., (M.L.C.),
University of Madras.

It is now nearly a hundred years since the teaching of Political Economy was introduced into the educational curriculum of South India. (Of course, I refer here to the modern science of Economics). A High School called "the University of Madras" was started in Madras in 1841 and Political Economy was part of the examination for the Proficients, which was then the highest degree offered. The text-books taught were Marcet's "Political Economy" and J. B. Norton's "Rudimentals". At that time, most of the Universities in England were not bold enough to teach Political Economy, as the prevailing educational opinion there militated against giving prominence to fruit-bearing (or commercial) studies in the University curricula. The Scotch pioneers, who figured prominently in the early educational history of Madras, were free from such prejudices and thus Political Economy was introduced to Madras students at such an early date.

Perhaps this early start was due also to the influence of the Indian Civil Servants of the time. They had received instruction from noted economists like Malthus at the Haileybury College (Hertford), which maintained a Chair in Political Economy long before the universities established such chairs. These civilians were a remarkable set of men, and their official writings, replete with apt quotations from Adam Smith and David Ricardo, stand on a higher plane than contemporary official documents elsewhere.

The study of Economics, however, did not make much headway for a long time. At first it consisted of memorising a few cut-and-dried maxims drawn up by the Classical School. There was no attempt at induction from facts. Nevertheless, several of the Madras public men and administrators seem to have obtained a practical knowledge of the subject, judging from their extant

writings. For instance, Dewan Bahadur S. Srinivasa Raghava Iyengar's memorandum on the *Progress of Madras Presidency in the Last* 40 *Years* (1892), shows a high capacity for economic analysis and it is clear that the author was well versed in the economic writings of the time.

The defects of the University curricula were greatly responsible for the slow progress of economic studies in South India. Before 1912 Economics accounted for only one paper in the B.A. pass degree and although there were more papers for the M.A. course, no regular instruction was then offered for that course. In 1912, the new Honours courses were instituted, and although at first Economics had to share with History in a joint Honours course, conditions soon changed and a full-fledged Economics Honours course came to being in the year 1925.

Under the leadership of distinguished educationists like Father Sewell and Father Bertram, the St. Joseph College, Trichinopoly, equipped itself for maintaining a high standard in its Honours courses. This was possible especially in Economics, as it had an excellent teacher in that subject. Father Carty, who had been teaching this subject previously, was sent out to Europe to specialize in Economics and he utilised this opportunity fully by studying under well-known economists at Oxford and Cambridge. When he came back to India in 1911, he was the best-equipped teacher in Economics in the whole Presidency, and year after year his students distinguished themselves in the examinations, whether of the University or of the Government.

Father Carty's pre-eminence as an Economics teacher is, in my opinion, due to (1) his thoroughness in economic theory, especially Marshallian theory which then held sway in the Western Universities, (2) his knowledge of mathematical methods and the free use of graphs at his lectures, (3) his logical bent of mind and the clarity and perspicacity of his teaching, and (4) his deep sympathy with students and a clear understanding of their difficulties. Although Father Carty followed the Marshallian method and outlook in a general way, he fully used his critical faculty and those who have attended his lectures will remember

his cogent arguments against the Marshallian theory of normal values.

Perhaps Father Carty's greatest contribution is in the sphere of methodology, and his book *Economics, a Social Science* is the only contribution to this controversy so far made from India. It is one of the most effective replies to the Neo-Classicism lately ushered in by Prof. Robbins of London. Although deeply versed in theory, Father Carty never made a fetish of it and always recognised its limitations. He incessantly brought home to our mind that Economics is not merely a normative science but must also deal with what *is*. He took great trouble to elaborate in his teaching the dictum of Marshall that Economics is only a part of the science of man. In this way, Father Carty raised what was hitherto regarded as a 'dismal science' even in India into a human and humane science, and this inspiration was perhaps responsible for the many analytical studies in Social Economics and essays in practical economic amelioration which have proceeded from his students.

Nor is his influence confined to his own college. His notes have been studied with avidity by the students of other colleges, and his methods of teaching have spread widely through his numerous pupils, who to-day are responsible for Economics teaching in most educational centres in the country. Many of his pupils have risen to the higher rungs of the administrative ladder and some have also distinguished themselves in politics and journalism. Through them also, the opinions of the *Guru* have influenced public policy and public opinion generally. The South Indian is generally regarded as having a balanced economic outlook. May we not attribute this, at least partly, to the level-headed economic opinions judiciously inculcated by this great Economics teacher? Even as William Pitt said of Adam Smith, a large body of public men and public servants here may with propriety say about Father Carty "we are all his pupils". Such distinction is a rare one and comes only to the best among academic workers.

May God Almighty grant that this good and great teacher be spared for us *ad multos annos*!

MR. S. A. VANESWAR, M.A., B.L.,
Accountant-General, Posts and Telegraphs, New Delhi.

I cannot think of my home in Trichinopoly without thinking of my *alma mater* and Father Carty. My first thoughts of Father Carty take me back over 25 years when I was one of the first batch of his Honours students in History and Economics. We were seven sages, as he called us. I now realise that I am indeed an "old boy;" "old" in years but a "boy" still in spirit, when I think myself back into my college days.

We have felt the impress and inspiration of his personality. We have lighted our candles at his torch of knowledge. His subject, Economics, was and continues to be "a dismal science." It is still so dark, notwithstanding the light thrown upon it by *savants*. I almost doubt if all this light has not served rather to make the darkness visible! I remember with what rapt attention we listened to Father Carty's exposition of abstruse Economics. We wondered and still our wonder grew that his head could carry all he knew!! What is more, it carries the knowledge into our heads as well! He out-marshalled even Marshall. I cannot forget Marshall's "normal price" provided other conditions are normal, which unfortunately they never are!! Everything is abnormal in a world of men, especially when they are engaged in the hot pursuit of wealth. Father Carty used to liken the theory of "normal price" to a system of gymnastics which for the sake of simplicity assumed that man had no bones! But these bones are the hard, ugly facts of life! We were studying and criticising "normal price" and the "Ideal polity" in the cloisters of our learning. We were examining the Malthusian doctrines with anxiety in view of the growing population of India, which is a predominantly agricultural country.

It is significant that our studies were not disturbed by the restless spirit of revolt and by strikes, in the student world. Thus we prepared ourselves quietly and completely under Father Carty's care before we step-

ped out of the college into the busy workaday world. Suffice it to say, that Father Carty is to us the personification of service and self-sacrifice, of duty and learning. Selfless life and deathless life are one. His earnestness and thoroughness impressed themselves on our minds. To us, he has been a guide, philosopher and friend. We vied with each other to be his worthy pupils. A disciplinarian, he has always been sympathetic at heart. Long may he live to continue his devoted and distinguished services in the cause of education. This is our heartfelt prayer.

DEWAN BAHADUR T. M. NĀRAYANASWAMI PILLAI, M.A., B.L.,
President, Hindu Religious Endowment Board, Madras.

Father P. Carty, S. J., is a great man; a "radiant genius;" a shining light on the educational firmament.

The first time I saw him was in 1905 or 1906 when he was training a group of students for enacting "The Merchant of Venice." Some of them I remember—Messrs V. K. Narayana Ayyangar now Advocate, Thuraiyur and P. R. Srinivasa Ayyangar, Advocate, Madras. Then he showed himself as great a Professor of Shakespeare as he is now of Economics. Students clustered round him always in love and reverence.

Father Carty is a great Professor of Economics. To study under him is one of the immortal pleasures of a student's life. His lecture hall was no dreary place; students did not gather merely to mark the time, it was all instruction and entertainment. They say Economics is a dry subject; but when handled by him it possessed charm all its own and one wondered whether there could be a more interesting subject. In his class, students felt they were being transported to some Elysian happiness. When he taught European History students felt the historical figures actually moving before them and taking part in events. Such is his power of dramatisation and such is the art he has of enlivening past events. Whatever he said was so nice and so clear. His exposition is unmatched.

Father Carty is one of the best public speakers we have; a great authority on public finance. I have listened to his lectures with rapt attention; I cannot but; he always held the audience spell-bound and none noticed the passing of time. The lecture he delivered when England went off the Gold Standard is still ringing in my ears; another time he presided when Mr. S. K. Sarma was the lecturer. His views were diametrically opposed to those of Father Carty and he taught us the art of dealing and handling the views of a lecturer which were different from those of the President.

Father Carty is a great humanitarian. He has no hatred for anybody; but love for all. He is a true saint—simple and great. There is nothing which he touches but does not adorn; There is none who comes into contact but is not helped by him.

Father Carty is 'the glory' of Trichinopoly as well as of South India. If he had not entered the ascetic order and pledged himself to unostentatious service he would have been one of the great figures of Europe fashioning and shaping international history.

Mr. K. R. K. Menon, M.A., B.L., M.B.E.,
Commissioner of Income Tax, Madras.

It was truly a turning point in my life—if indeed such a grandiose expression could be legitimately associated with the comparatively uneventful life of a youngster like me—when I decided in June 1919 to join the History and Economics Honours class of the St. Joseph's College in preference to the Presidency College of the Metropolis from where I had the good fortune to receive the then coveted "Blue Card" of admission. It was the reputation of Father Carty, and that alone, which finally impelled me to take this step, though I realised full well that by doing so I would stand to be facetiously dubbed a 'Teppakulam Graduate' the rest of my life. But I did it with my eyes open—or, shall I say, with one eye on this none too pleasing thought, but the other on the prospect of sitting at the feet

of a master-mind and a veritable wizard in the Science (or is it now the Art?) of Economics. The very confident tone of these opening words of mine must disabuse anybody of the least suspicion that I have ever regretted this step.

It would be a pleasing exaggeration to say that Father Carty was of the benevolent type of pedagogue who would deal out lozenges to his errant pupils with a beaming smile on his face. He was cast in a different mould, but in a mould no less attractive. He was a real aristocrat, if one may use so mundane a term to one who has given up the world entirely in the service of God. His manner of speaking, his smile, his searching questions, and even his patient tolerance of "questions from the class"—all these spoke eloquently of the born aristocrat, the prince among intellectuals. With a brain like a cross between a needle and a knife-edge, and a vision and outlook as large as the spaces of Nature, Father Carty had no apparent difficulty in either taking us through the tortuous intricacies of Exchange and Currency, or in impressing on our young minds the vitally human background of that much misunderstood Science, Economics. Above all—and this is where I consider I have profited most by my three years' all too short contact with this dynamic personality—he taught us how to think clearly, to keep clear of fallacies and shibboleths however gilded and attractive they may look, and how to import the necessary human element into the resolution of the most abstruse and difficult problems. It will take me much longer than the brief space allotted to me by the kind Secretary of the Celebration Committee to acknowledge the fund of debt I owe to this great Guru of mine; I confidently hope, however, that should this humble tribute catch his eye he will treat it as a solemn acknowledgement of a debt that is irrepayable.

MR. P. V. BALAKRISHNA AIYAR, M.A., B.L.,
District and Sessions Judge, Tinnevelly.

Between the undergraduate just starting on a new subject and the professor who has been lecturing on it for some years there is a big gap. But except in the case of a professor of exceptional talent and erudition this gap is in time substantially narrowed and eventually eliminated. The admiration for the learning of his professor which the undergraduate entertained slowly evaporates and he begins to feel that the heights on which his idol seemed to stand were not really mountain tops after all. But I have always considered that Father Carty stood in the select exceptional group. It is now twenty-three years since I first knew him and during this period I have made contact with more persons, places and things than several people of my age and in the process shed not a few illusions. Yet viewing the matter as dispassionately as I am capable of I find that in respect of Father Carty my sentiments have undergone remarkably little change. The haze has lifted: but the height on which Father Carty stands is now clearly recognizable as a genuine mountain-top and not merely a hump on the ground. I still continue to be profoundly impressed by the vastness of the learning he has accumulated and by the rapidity with which he can in an argument mobilise the resources of his scholarship. The relentlessness of his logic, the clarity of his mind and the deft precision of his phrases and the uncanny facility with which he could show up the most cunningly hidden fallacy has always been a matter of pride and wonder to those who knew him. And withal he used to be extremely patient with the lame and the backward; and numerous are those who have gone over the hurdles and who, but for his thoughtful help and quick guidance would have been bruised and broken men. I hope and pray that Father Carty may be spared for many more years to come to carry on the good work to which he has been called.

MR. P. N. RAMASWAMI, I.C.S.,
District and Sessions Judge, Chingleput.

I have been a pupil and a colleague of Father Carty in the St. Joseph's College, Trichinopoly for well nigh seven years. Of him I might say with complete truth that he has been one of the formative influences in my own life. He is essentially a great Teacher. His three outstanding qualities are lucidity, thoroughness and powerful exposition. His lectures and notes harmoniously combining illustrate these outstanding qualities and make him the great Teacher he is, gathering around him year by year an ever increasing band of students well drilled in fundamental principles of Economics and remaining grateful to him for ever after leaving college for instilling in their minds in the most formative period of their career habits of cogent and vigorous thinking and lucid and logical exposition. This great Teacher is also a great gentleman as defined by Cardinal Newman, and who can fail to benefit by coming under the influence of this great gentleman and not leave the college a better man in every way? These great qualities of mind and conduct of life which have enriched the student life of South India spring from the fundamental fact that Father Carty is truly and well a sincere Christian whose life has been dedicated to the service of mankind and the greater glory of God. May his life be spared for many more years to come to the benefit of the Tamilian students of South India is the sincere prayer of one of his most loving students.

MR. T. S. PILLAY, M.A., B.L., O.B.E.,
Deputy Secretary, Department of Commerce, New Delhi.

I regard the old Professor as a revered Guru, a trusted friend, and comrade and that is the highest tribute, I venture to think that can be made by any pupil to any Professor.

MR. A. SWAMINATHAN, M.A.,
Superintendent of Post Offices, Guntur.

I had the honour and privilege of sitting at the feet of the revered master Fr. Carty for three years when I was a student in the St. Joseph's College. His classes were always entertaining and enlivening, interspersed by sparkling humour, carrying home the numerous difficult and abstruse economic theories which are still a despair to many economists. His teaching was veritably an instruction and education by itself. His examination of very intricate economic doctrines and policy was an intellectual exercise which went a long way not only to develop our mental faculties but also to develop our character which stands us in good stead.

Fr. Carty has also endeared himself to us, his students, by his affection and love, by looking to our welfare, by encouraging us during moments of despair and guiding us with paternal care and solicitude. It gladdens my heart to pay my tribute and heartfelt respects to the Father on the unique occasion of what I think is an all-India celebration under the illustrious auspices of the University of Madras.

PROF. V. RAMANATHAN, M.A.,
Maharaja's College, Ernakulam.

It was in the last week of June, 1914, that I arrived at Trichy Fort, an up-country mofussil lad seeking admission to the Honours Course in the good old St. Joseph's College. Those were days when first grade colleges were few and far between and Trichy was the Mecca of most mofussil undergraduates anxious to continue their studies. Madras was in those days considered pretty distant by conservative parents, for there was then no 'Cochin Express', or for that matter, 'Malabar Express'. Those were days when there were no talkies, nor radio, nor broadcasting to school children and college students. The more wealthy and ambitious parents did send their boys to Madras, but Trichy was

considered more safe and less costly and that clinched the issue with the average mofussil parent. As I recall those days, I can visualise the scene of a young and immature lad walking with hesitancy and trepidation into the sacred sanctum of the Principal of a big and flourishing first-grade college, whose reputation had peneterated into the farthest corners of South India. I was full of pride and joy as the precious slip was handed to me entitling me to admission to the Honours Course in History. There was as yet no specialised course in Economics—no Economics pass course much less Economics Honours. History then reigned supreme and unchallenged. The goddess of Economics was then satisfied with a subordinate position owning allegiance to and recognising the paramountcy of her sister History. It was a happy joint family. It was only years later that Economics shook off the tutelage of History and set up her own independent sanctuary.

I had been attracted to St. Joseph's College, as several others had been before me, by the much respected name of Reverend Father Carty. To us of the Arts Section, two names were most familiar—Reverend Father Quin (alas! now no longer in the land of the living) and Reverend Father Carty. I now realise how timid and diffident I was at that time. The intellectual horizon of the average mofussil undergraduate was not in those days as wide as it is to-day. He now knows more about the wide world thanks to the radio and the talkies. We the freshers in the Honours class, coming as we did from smaller institutions with more conservative traditions, viewed with admiration perhaps not unmixed with pardonable jealousy the comparative freedom and superior wisdom of our elders in the IVth and Vth Honours Classes. We knew, and the thought of it was so exhilarating, that in the fulness of time, we too would be privileged to enjoy the same air of freedom and importance and that we in our turn could then talk to our juniors with an air of good-humoured condescension!

We were all looking forward with eager expectancy to the lectures of Reverend Father Carty and we realised after the

very first class that we had with him, how report had spoken true about him. We were so thrilled and the ecstasy we felt in our boyish exuberance can be better imagined than described. Reverend Father Carty was then young but yet not in the best of health. He lectured for about 16 hours in the week and took classes not only for all the Honours students but also for the pass course students. Our University had not then begun to manifest that amount of solicitous interest in the welfare of the teachers who had dedicated themselves to her service as she has been boing in recent years. I am afraid there were no limits prescribed in those days by the University authorities as to the maximum hours of lecture work to be done by college teachers. Over and above this strenuous lecture work, we knew, that he was working in his study room during the larger part of his available leisure time. We were not merely initiated into the mysterious realms of Economics, Politics and Modern Federalism, but we were also inspired to dive deep into new and unexplored intellectual regions. I still recall the joy and pleasure we used to derive from Reverend Father Carty's classes. His kindly and genial smile radiated joy and sunshine in the class room. He exercised such a chastening and ennobling influence on us by his fascinating personality. He combined erudition with sympathy, seriousness with urbanity and strict insistence on the performance of duty with unruffled equanimity of temper, and no wonder, his lectures were to us, a source of perennial joy and inspiration. Clearness of exposition has been the dominant note of his lectures, and this has been as potent a factor as the profundity of his knowledge in the make-up of the good teacher that he is.

Reverend Father Carty is only 65—and for a European missionary who scrupulously adheres to the lofty ideals of the noble order to which he has the privilege to belong—he is still at a stage in life when he can look far ahead into the future. Life's work cannot be measured by the years lived. Reverend Father Carty has pressed into his good life more useful and solid work than what most people can ever dare to aspire to achieve. He

still feels so buoyant and enthusiastic about his work. He has never spared himself. He has been, for over a generation, shaping and moulding the destinies of successive batches of young men who have had the privilege to sit at his feet. He has been for several years an active and intelligent member of numerous University bodies and he deservedly occupies an honoured place among the great educationists of our country. He has been a very successful teacher, for he has never ceased to be a student. 'Work' has been his gospel in life, an ideal quite in tune with his refined and religious temperament. This is the secret of his extraordinary and astonishing record of service. May God the Almighty, the dispenser of all joys and happiness, vouchsafe to him a long lease of continued good life and noble service. May he be spared to us for many more years to come so that he can continue to exercise his benign and inspiring influence among the youth of our country. May the intellectual light he has lit up continue to shine with resplendant lustre in the years that lie ahead.

Mr. C. V. Narasimhan, I.C.S.,
Sub-Collector, Dindigul

The Editorial Board has given me the freedom of the printed page, and wants me to say what I like about Father Carty.

All those who have at any time come under his spell can say only one thing. And, if they proceeded to say it in his presence, it would make Father Carty blush so that I am sure, he would be forced to say, before they had really got going, "Ah, no more of that, Hal, an thou lovest me!" I well remember the July afternoon ten years ago when I heard the first of Father Carty's course of lectures on "Exchange" for Third Year Honours men. Till then, all that I had known about Exchange was that it was no robbery—that well-loved principle of all "umbrella moralists"! That day, for the first time, I got some idea of the complicated world in which we live. It seems to be getting more and more complicated with the years!

Father Carty's greatness, however, does not lie in his capacity for lucid exposition, which is unrivalled; nor in his unfailing gentleness and kindness to all men, high and low. I admire Father Carty most because he is a thorough Scientist. He dislikes ready-made ideas. He distrusts all plausible generalisations. His ruthless logic can at once see the flaw in the most specious reasoning. I recollect how I once submitted to him a paper on World Federation. I was very much a follower of Mr. H. G. Wells at the time. The paper came back a few days later, with just a few kindly remarks. But those few words put in a nutshell the whole argument against any kind of federation on such a scale, better than whole volumes of the most devastating criticism could have done. To return to my point, I admire Father Carty most because he taught us to think for ourselves.

Modern Economics is becoming more incomprehensible every day. In its efforts to become an exact science it has become so algebraical that the school boy may be pardoned for howling that "a" pence plus "b" pence equals "expense". The present generation of students must feel grateful then that there is a teacher like Father Carty, to start them with clear ideas on the least exact of all the exact sciences.

MR. A. V. RODRIGUEZ,
Colombo.

As an old pupil of Reverend Father P. Carty S. J. and as one of his oldest friends, I had the privilege of coming into intimate contact with him over forty years ago, since the very first year of his arrival as a member of the Tutorial Staff of St. Joseph's College, Trichinopoly.

Even at this distance of time, I recall to my memory, how quickly his hour of History used to glide away, filling our minds with the events of the world narrated with the absorbing interest of a Fairy Tale. Indeed Father Carty had the uncanny gift of

driving home his pupils' lessons by his lucid exposition of facts and marshalling of dates, and punctuated with such sallies of wit that his classes, instead of being the dull monotony which school lessons usually are, were looked forward to as daily entertainments. If I may be the spokesman of my contemporaries of the St. Joseph's who have had Father Carty as their Professor, I should unhesitatingly declare that the predominant force which first drew us towards him was his sparkling humour and the wonderful style of his delivery. Who among us could have forgotten the occasions when, instead of going through a daily class routine, the Father used to delight his boys by declaiming a beautiful selection from the speeches of a distinguished orator of the British House of Parliament? There on the platform, in front of his class, stood he, and made the dead speech live through its life once again, making his listeners almost doubt if the original speaker himself could have delivered his lines with so much fire and persuasion. Indeed there was such a force in the torrential flow of his words, accompanied with such masterful flourishes of gesture that the end of the declamation was greeted by the boys with a thunderous applause which threatened, on one occasion, to bring down the very roof of the class room over their heads.

If Father Carty's pupils had been so enamoured of his power of speech, the students of the whole College in general and the Boarders in particular used to expect his Annual Dramatic Entertainment on the Day of Distribution of Prizes with a youthful enthusiasm which had no parallel to any other secular event at the Institution. The drama which was, as it were, the very embodiment of his labour of love, used to be the crowning feature of the whole function and the most delectable item of the evening's programme.

It was in connection with events such as these, at Music practices, picnics and so forth that I had been drawn into the inner circle of Father Carty's little friends, and had the opportunity of knowing him and appreciating, young as I was, the ster-

ling traits of his heart and mind. I am only one of those numerous and fortunate boys who had come under his personal care and influence and who therefore owe him a deep debt of thankfulness for the selfless act of affection he had showered on them; the loving sympathy he had evinced in their little trials and difficulties; the sacrifices he had made in the discharge of his onerous duties and the sustained interest he takes in them right through their life, counselling and guiding them even in their family affairs and making their joys and sorrows his own.

In gratitude for the legacy of undying affection which Reverend Father Carty has bequeathed to hundreds of old boys like myself let me, on behalf of all of them, lay at the feet of our revered old professor and benefactor this humble little appreciation from one who from the very bottom of his heart wishes him *ad multos annos.*

SECTION I: POLITICS

THE FEDERATION OF THE WORLD

By

A. Appadorai, M.A., Ph.D.

The idea of a federal union of States has been brought prominently before the public eye in recent times by Mr. Streit in his *'Union Now'*. The idea itself is not new. Kant had said as early as 1795[1] that something in the nature of a federation between nations for the sole purpose of doing away with war was the only rightful condition of things reconcilable with their individual freedom. The emphasis laid on it at the present time is no doubt due partly to the failure of a loose union like the League of Nations to preserve world peace and partly to the general eagerness to avoid a repetition of war and its terrible consequences. The emphasis placed on the subject is laudable; one, however, feels with Wilson Harris[2] that so far a good deal of the advocacy of it has been marked by more enthusiasm than insight. The whole subject needs more careful examination.

II

The most comprehensive of all schemes of Federation, as far as the present writer is aware, is that of Oscar Newfang[3] for converting the present League of Nations into a world federation. Only two changes are needed to bring about this desirable conversion: the development of the League Assembly into a world legislature, and of the Council into a Cabinet and the grant of compulsory jurisdiction to the world court. The member states would gradually transfer their armed forces to the central authority. They would further remove trade barriers. A world monetary and banking system would also come into being.

1. *On Perpetual Peace.*
2. *The Spectator*, March 15, 1940.
3. *World Federation* by Oscar Newfang (New York, 1939).

The most discussed proposal is, however, that of Mr. Streit.[4] This contemplates a federal union of fifteen democracies to start with—the United States, Great Britain, five of the Dominions (Canada, Australia, New Zealand, South Africa, Eire), France, Belgium, Holland, Switzerland and the four Scandinavian States (Denmark, Norway, Sweden and Finland), having between them a population of some 300 millions. These states would hand over to the federal authority certain of their sovereign powers including, in the political field, the raising of armed forces, the conduct of diplomacy and the making of treaties and the decision upon peace and war, and, in the economic field, the regulation of tariffs, currency and immigration. We start with democracies (according to Streit) because the world order is to be based on the principle of freedom and because common ideals of government among the units would facilitate the smooth working of the federation. Other states might later be admitted if they accept the ideals of the federal union. These particular fifteen are chosen because in every respect they provide a cohesive nucleus. Geographically, they have the advantage of being all grouped (with one exception) around that cheap and excellent means of communication, a body of water. Historically, their mutual relations during the past one century have been friendly, no two of the fifteen having fought each other once since the Belgian-Dutch war of 1830. The culture of these fifteen is inextricably interconnected. "These peoples do most of their travelling and studying and playing in the area they together own; they are more at home in it than in the outside world." Economically they do most of their foreign trade with one another and the chief market of each of them is formed by the rest. And, above all, in respect of power, judged by area, population and economic resources, they are well placed, indeed, overwhelmingly strong as against the autocracies.

It is sufficient to make a brief mention of other proposals. Lionel Curtis in *The Commonwealth of God*[5] would have us start

4. *Union Now* (Jonathan Cape, 1939).
5. *Civitas Dei*, Vol. III. (Macmillan, 1937)

with a federation of Australia, New Zealand and Great Britain; gradually, India, Egypt, Holland, Belgium, Denmark, Sweden, Norway, South Africa, Ireland and Canada could be brought in.

Sir John Fischer Williams' scheme[6] is a more flexible one. For him the irreducible minimum of federal subjects are foreign policy and defence. Other matters of common interest such as currency, customs and general commercial policy, it is desirable to transfer to the Federation, but not easy or essential. He would not have a rigid rule for admission to the Federation; he believes that the problem of fixing up the original members of any future federation is not a serious one, for, "whatever Power might take the initiative in the proposal for a federal union, the States which would be ready to accept the invitation would naturally be those whose peoples are in general agreement with the way of life and the broad political principles of the Power which took action." Finally, Sir John makes provision for the retention of the present League of Nations for the benefit of those States who are unprepared for the surrender of sovereignty which a federal union demands, and for the retention of individual membership of the League of Nations by the States comprising the union for all purposes except their mutual relations *inter se*, just as the Members of British Commonwealth of Nations now rank at Geneva.

Sir William Beveridge limits[7] his scheme territorially. A world federation is impossible; Britain, France, Germany (democratised), Belgium, Holland, Denmark, Finland, Sweden, Norway, Switzerland together with the five British Dominions (Eire, Australia, Canada, New Zealand and South Africa) could form the nucleus of the federal union. Defence and foreign policy would be the minimum federal subjects; other subjects like the management of dependencies, currency, trade and migration might, by stages, be transferred to the federal government.

6. World Order Papers No. 1 by Sir Roger Fischer Williams (Royal Institute of International Affairs, 1939).

7. World Order Papers No. 3 by Sir William Beveridge (Royal Institute of International Affairs, 1940).

Jennings put in a plea[8] for a federation of Western Europe. To start with, it would include thirteen democracies, France, Germany (democratised), Switzerland, Luxemburg, Belgium, Holland, the United Kingdom, Eire, Denmark, Sweden, Finland, Norway and Iceland. With the extension of the democratic system to the other states in Europe they may of course be admitted. Defence, foreign policy, commerce and interstate trade would be the main federal subjects.

III

This rather tedious summary of the various proposals has been necessary to provide a basis for our discussion. Before proceeding further, one or two points ought to be made. Several of the writers referred to above not only argue the case for a federal union but also outline a constitution for it. We shall not dwell on that aspect, for, it is uncertain when, if at all ever, the federation is likely to be established and in what circumstances. Any discussion of the details of its constitution is not, therefore, worth our while. Secondly much also depends on the outcome of the present war. We must assume that at the end of the war Britain finds herself in a position to secure (or dictate) peace terms of the kind she desires and, further, that she will desire to take all reasonable steps to avoid a recurrence of war.

Let us be clear about what a federal union involves. It means that in respect of the subjects transferred to the federal authority, the citizens of each member-state will have to obey a government other than their own—a government in which, no doubt, they will have *some* voice but not the *sole* voice in determining policy. Federation essentially means a division of powers and double allegiance. It means nothing less than the surrender by the nation state of part of its sovereignty. The minimum federal subjects, all our writers are agreed, are defence and foreign affairs; other common affairs may or may not be transferred to the federal authority.

8. Ivor Jennings, *A Federation for Western Europe* (Cambridge University Press, 1940).

The case for federal union is in theory unassailable—that the insecurity men live under cannot be ended without abolishing war and ensuring world peace; and world peace can be ensured only by establishing world government. This view is proved by the facts of history, positive and negative—the history of how individuals have been able to provide for their security through government, and the history of how states have been unable to provide for national security without a common government. In early societies, the individual relies upon his own strength for security. At a later stage, he seeks the help of neighbours; but the security does not become assured until a police force is permanently established, and the force at the command of the individual *pari passu* reduced. The overwhelming force at the command of the State is used to give security to all alike—to see, as the saying goes, that no one takes the law into his own hands. Disputes between individuals are referred to a common court and enforced by a common executive.

Nations have been passing through a similar evolution. At first each nation had to rely on its individual strength, then they tried alliances only to provoke stronger counter alliances. The League of Nations has foundered on the rock of national sovereignty. It is indeed possible to argue that but for a series of accidents—the withdrawal of the U.S.A., the absence of an Anglo-American guarantee to France, a vindictive peace—the League might have been stronger. But its fundamental weakness remains: it is not an agency of government. It has no money-raising or coercive power; and it is a lesson of history that a single, effective, acceptable authority throughout the whole area in which the peace is to be kept is a *sine qua non*. The league method cannot prevent war, because it cannot do justice when justice conflicts with sovereignty and because it leaves war as the ultimate instrument of international policy. The obvious remedy is to have a common coercive authority to enforce decisions on certain matters of common interest. That authority will also, through its court, declare where justice lies in disputes between states.

There is, secondly, the economic argument. Ever since the Industrial Revolution, the world has economically been more and more unified. Distance has been reduced. The countries of the world have become more than ever interdependent in respect of capital, raw-material, skilled labour and markets. Interdependence is a reality; the existence of separate states is a historical accident. The sovereign state has become an anachronism. With its trade restrictions and tariffs, its customs and its quotas, it sets up barriers between itself and its neighbours and thereby prevents the free flow of trade and the optimum utilisation of the world's economic resources. As Joad puts it effectively,[9] on the one side— the side of technology, economics, and common sense— is a manifest drive to unity; and on the other—the side of politics, pugnacity and reaction—are the Nation States that impede and obstruct it on the one hand, the revolution in living caused by the changes in our environment; on the other, the obsolete divisions of mankind which the state exists to perpetuate: on the one hand the gradual shrinking in the size of the world; on the other, the Nation States whom the shrinking has squeezed so closely together that, unless they can be superseded before it is too late, they will grind one another to pieces. What concerns all must be decided by all. Nationalism must be equated with right.

Thirdly, the changes in the technique of war and the increased power of the means of destruction emphasize the necessity for peace and the abolition of war. The alternative is the destruction of civilization.

Fourth, it is argued, the history of the world supports the view that a super-state is not only desirable but possible: that history shows a continuing tendency of the peoples of the world to unite into ever larger governmental units. "While the dawn of history dis-

9. In Duncan and Elizabeth Wilson, *Federation and World Order* (Nelson, 1939), Foreword, p. xii.

plays mankind as a very large number of constantly fighting family clans, and later as a large number of fighting tribes formed by the union of these family clans for the sake of safety, later and more authentic history portrays mankind slowly uniting into less numerous groups of small principalities and still later exhibits the slow and painful union of these smaller principalities into our *modern nations.*"[10] The emergence of a super-state, though it may not be realised in our generation, is therefore in the natural line of political evolution.

And, finally, while its practicability in the sense of the people concerned being persuaded to attempt it may be debated, there is no doubt that if by some miracle it is brought into existence, it is practicable to work it. The history of federal governments everywhere is conclusive evidence.

IV

But, can the peoples concerned be persuaded to agree to join federal union? While for the reasons given above federalism may well be the *ultimate* objective, I think we do more harm than good by considering it as an *immediate* objective. The pursuit of an unrealisable ideal may work havoc by diverting men's minds from the more essential and urgent duties. A Federal union must take into account not only the hopes but the experience of mankind. The necessary conditions hardly exist. Lord Bryce has said that the permanence of an institution depends not merely on the material interests that support it, but on its conformity with the deep-seated sentiment of the men for whom it has been made. It is futile to contend that there is anywhere anything more than a superficial, and therefore deceptive, sentiment in favour of a super-state. Instead, nationalism is a sentiment which makes the strongest emotional appeal. That is the lesson of the League of Nations, and of recent history. Nations are unprepared for the least sacrifice of their sovereignty. Fur-

10. Newfang, *World Federation* (Barnes, 1939) p. vii.

ther, passions of the most undesirable kind have now been let loose, providing the most unfavourable atmosphere for any consideration of union. A planned education of public opinion all the world over is essential before any such step can be thought of.

Indeed, the problem bristles with difficulties. Who are to be the members? The existence of common sympathies and of common ideals of government among the component units is essential. Geographical contiguity is helpful in securing stability. Taking these principles into consideration, a permanent federation of countries from all continents must be dismissed as a pure speculation in political experiment. As Murray rightly suggests, the less we count on any possibility of American partnership the better. Will the British Dominions, who are too jealous of their independence even to join an Imperial-federation, be likely to join a miscellaneous federation? Of all the schemes outlined, that which limits the Federation to Europe seems the best to start with. Even here, Germany is a problem. Its inclusion in the federation is essential, because otherwise peace cannot be assured. But can Germany be compelled to accept the basic condition, viz., to become democratic? Even if democracy is pressed on her, what chances has it of permanence, having regard to German traditions of authoritarianism? "With Germany inside, but not whole-heartedly converted to a policy of co-operation, the Federation would be exposed to some of the dangers from which the League has suffered. It might easily find Germany and Italy plotting together and taking with them various small eastern and south-eastern States: and Great Britain might well hestitate to commit her vital interests to a council on which she was liable to be outvoted by a combination of states whose aims were antipathetic and sometimes directly hostile to her own."[11]

11. Murray, in World Order Paners, No. 2 (Royal Institute of International Affairs 1940) p. 13.

The inclusion of India raises certain special problems. India is not yet self-governing and democratic, but this difficulty will vanish when India becomes a dominion. It is also feared by western writers that if a lower House of the Federation is to be constituted on a population basis India will be able to outvote a combination of most other states. Again, it is doubtful if it is to India's interest to join the Federation, having regard to her present industrial development. A free trade area is implicit in any federation; but then, India cannot have the chance to develop her industries so essential to raise her standard of life. This difficulty can be got over only in one way; viz., the retention of certain special conditions within the framework of the Federation to further Indian industrial development. The retention of such special conditions is not necessarily opposed to the principle of federation; what is necessary is that they should be laid down by the federal authority. If India is to join, she must insist on such special conditions to promote her economic development.

On the division of subjects between the federal union and the units, the general principle is clear, viz., all subjects of common concern, which, unless dealt with by the federal authority, are likely to disturb international peace, must become federal. Foreign policy and defence, inter-state and foreign trade and international migration are obvious instances. It is desirable, too, that international communications, currency and the banking system are regulated by the common authority. It is conceivable that the administration of colonies and backward areas by the union may avoid possible disputes; if this cannot be agreed upon, the principles of colonial government may at least be laid down by the federal authority, their administration being left to the national governments concerned.

It is doubtful if the federal authority can perform its primary function of maintaining peace, if its jurisdiction is not widened to cover all these subjects.

Thus it is idle to pretend, as a critic rightly points out,[12] that federal control of foreign policy has any meaning if member-states are free to pursue different and divergent commercial policies or to exclude the citizens of one state from the territory of another, as Indians born in Natal are excluded from the other provinces of the Union. Our list of course demands a considerable transfer of economic powers to the federation; that is because under modern conditions foreign policy and economic policies are closely linked. To quote Beveridge "It is difficult to envisage a federal authority unable to negotiate commercial treaties with States outside the federation, but every such negotiation involves the economic interest of one or more member States."

There are admittedly difficulties in establishing a federation which demands so much from individual States. It is better, however, frankly to face these difficulties instead of flying away from them and attempting a half-hearted union, which is liable to an early dissolution. One solution, which has some support in the proposed Indian federation, is the provision of what may be termed "special reservations." Thus in the Indian federation, the member states do not all accept an identical list of federal subjects. Travancore may "reserve" maritime customs; Cochin, the harbour; and Mysore, her interest in the gold mines of Kolar. Similarly the federal union may permit some freedom in respect of economic policies so long as these policies do not fundamentally contradict its own purposes. These reservations need only be transitional; for the transitional period, however, they are essential. A sudden change-over to complete free trade would, for instance, have 'devastating effects' on employment and prosperity generally. Similar is the case of customs. A good proportion of the national budgets of many countries is contributed by customs duties. If 'customs' is transferred to the Centre, it will have repurcussions on these budgets and some transitional measures will be necessary to enable the maritime states to

12. P. Horsfall, World Order Papers No. 4 (Royal Institute of International Affair, 1940), p. 16.

balance their budgets. Thus if India is a member, as we argued earlier, she will have to be given some freedom to apply the principle of protection to such of her industries as, with initial protection, have a reasonable chance of standing on their own legs, say, within a decade. The solution is imperfect, but unless such freedom is allowed in the earlier stages, there seems to be no likelihood of the federation being ever established. We may find another analogy to this in recent developments in the United States of America. Inter-state trade is a federal subject and is theoretically free from local restrictions; as a matter of fact, various states have devised 'effective and exasperating ways' to protect their industries and agriculture e.g., requiring certificates of approval for the entry of outside goods in the interests of public health, imposing heavy excise duties etc. And the federal authority has perforce to wink at them.

As we said earlier, the details of the constitution are beyond the purview of this paper. It is sufficient to state that an elected legislature, preferably bicameral, a cabinet responsible to that legislature, and a federal court are essential. Each one of these of course raises quite a number of problems of detail; but if there is general agreement on the fundamental principles regarding the surrender of sovereignty, the initial membership and the division of powers, that sense of agreement may be trusted to overcome the difficulties that may arise in respect of the constitution of the legislature, the Executive and the Court.

V

The conclusion of this paper is rather pessimistic. Every one realises the need for a federal union; but under present conditions, its establishment is unlikely, and even as an ultimate ideal it has to face great, almost insoluble, difficulties. In the meanwhile the habit of co-operation between states started by the League of Nations must be continued and even extended. The value of the League of Nations has been that it has provided an opportunity for those nations who *wish* to avoid war to show the world that they do. Its committees and conferences and its bureaus

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of statistics and research have provided a forum for statesmen and experts from different nations to meet regularly and to understand one another's point of view, and to think in terms of a wider unit than the nation. In order to foster this spirit of co-operation, it is better to have the coercive clauses removed from the League constitution, so that the co-operation that could be expected from member-states, though limited in extent, will be reliable and more whole-hearted. When the foundation of international good-will is well and truly laid, it will be time to raise the superstructure of a federal union.

LIBERTY OF THE INDIVIDUAL IN WAR TIME

By

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I. Introduction.

Liberty of the individual even in peace time is not an absolute good. It is relative to (a) the true good of the individual and (b) the true good of society. Right against society is a contradiction in terms. The individual has rights only in relation to his place in society. Even over such an important right as the right to life the individual has no absolute right. He has the right only in so far as he uses it in the interest of his own personal development as well as in the interest of society at large. In war time the liberty of the individual is relative to public safety and security.

Nobody expects the civil rights of the individual to be the same in war time as during peace. It is true that many of our civil liberties have been won bit by bit through long years of strenuous struggle. But our common instinct tells us that when the country is at war, our liberties have to be abridged if we are to survive. It is a matter of self-preservation. Even such a keen lover of individual liberty as Sir Norman Angell says: "Because we are all now in the firing line, martial law has become the civilian's law, the law of the land, and we accept it without demur. The right and common instinct of men prompts them to give unquestioning assent to this completely new order of things in which ancient and previous rights are put in cold storage."

All this does not mean that the civilian should keep his mouth shut and do exactly what the military authority or the executive bids him do. It has been rightly said that England's strength has been the preservation of the historic spirit of liberty, and that when this is gone, her glory vanishes. Therefore, while

August, 1939. It was rushed through in a single sitting. It gives the executive the power to ban public meetings, to prohibit propaganda, and to suspend the *habeas corpus*. The Home Secretary is given power to make Regulations under this Act which have the force of law even before they undergo examination by Parliament. Members of either House may move the annulment of these Regulations within 28 parliamentary working days of their issue, but they cannot amend them. The most that they can do is to prevail upon the Home Secretary to re-draft particular regulations. This gives very wide powers to the executive and to the police working under its instructions. There is ample scope for the complete smothering of individual liberties. Any Act of Parliament may be amended, suspended, and applied with or without modification.

The powers under the Regulations are intended for use only in the interests of public safety, the defence of the realm, and the prosecution of the war. But the expressions used are so wide in their scope as to annul individual liberty altogether. They are too sweeping and have been abused by over-zealous officials. In the early months of the war police interference with meetings and legitimate propagandist activities increased considerably. The police resorted to methods of intimidation to suppress these activities by visits and warnings, by the confiscation of literature, and by imposing, without any authority, bans on meetings. There was a storm of protest in Parliament in a debate on October 31, 1939. Defence Regulation 39B, for instance, in its original form, made it an offence to spread any propaganda which might hinder the efficient prosecution of the war. This meant that any anti-government criticism was an offence. Under the fire of criticism this Regulation was redrafted to read that propaganda against the efficient prosecution of the war was an offence only if it was based on false statement, false document, or false report. Moreover, in its original form, the Regulation made no provision for the review of certain types of cases. But the House ruled that there ought to be a review in every case. Thus some of the objectionable features in the October Regulations were withdrawn.

In spite of these changes, the liberty of the individual is not altogether safe. It is contended by those who value their civil liberties that by a series of enactments a semi-Fascist machinery has been built up in England.

Further Regulations were laid down on May 9th which contain many objectionable features. According to the National Council of Civil Liberties, these Regulations penalise "the expression of political views and the conduct of political activities unknown since the days of Charles I and the Star Chamber". This is probably an exaggeration. Whatever that may be, the three objectionable features of the May Regulations, as pointed out by the Council, are:

1. They penalise the expression of honest political opinion as distinct from the misstatement of facts.
2. They set up in effect a rigid control over printers and the press.
3. They are entirely contrary to the traditions and spirit of democracy in England.

These are said to be a fundamental attack on the whole structure of British civil liberties. It is no use pleading that they will be used with the utmost care and scrupulousness, because there are always over-zealous officials, who lose their balance when drunk with power.

B. *India.* When war came neither the Central Assembly nor the Provinces were consulted. India was told that she was a belligerent. The same thing happened on June 11, 1940, when war with Italy was declared by Proclamation by the Viceroy. Such a keen student of Indian affairs as Edward Thompson considers the non-consultation of India as the "worst blunder in Imperial policy during this post-war era".

The Viceroy was given in advance at the outbreak of the war emergency powers. The Rules framed under the Defence of India Act go further than the English Regulations. In the judgment of the British National Council of Civil Liberties, the penal-

ties provided under Indian rules are generally speaking higher than those for corresponding offences in England. The Governor-General's Ordinance allows sentence of death, or of transportation for life, for breaking any Defence Rule "with intent to wage war against His Majesty or to assist any state at war with His Majesty". The National Council of Civil Liberties fears that this power may be used to put down nationalist activity.

Certain other powers have been given to the Governor-General and the Governor of Burma. The House of Commons on June 26, 1940 passed all three readings of the bill introduced by Mr. Amery, the Secretary of State for India, delegating special emergency powers to the Governor-General to introduce compulsory service for military, and, in certain cases, for civil and industrial purposes with the object of expanding India's war effort. The amendment gives the Governor-General the power to make appointments and amend Orders-in-Council and Rules without consulting authorities in Britain.

III. Where do our Liberties stand to-day?

In spite of severe criticism of what some regard as repressive measures, the liberty of the individual is still respected both in England and India. This may not be because of the love of the executive for constitutional propriety, but because of a vigilant public opinion, ever watchful to see that there is no undue encroachment on individual liberty. Compared with repression in the enemy countries, repression in England is almost child's play. In Germany the usual remedies are summary execution and concentration camps. A German newspaper in 1936 wrote: "Concentration camps are no disgrace; on the contrary, they are an ornament to Kultur. Here neglected individuals are educated to real life with the firmest kindness"!

A. *Conscientious Objectors.* The way in which a government engaged in war treats conscientious objectors is an index to the degree of civilisation reached by it and its attachment or lack of attachment to the democratic principle. Many years ago J. S. Mill wrote: "If all mankind *minus* one were of one opinion, and

only one person were of the contrary opinion, mankind would be no more justified in silencing that one person than he, if he had the power, would be justified in silencing mankind". No country to-day can honestly claim that it follows J.S. Mill faithfully in war time. Yet the problem of the conscientious objectors has been handled more successfully in the present war than during the Great War. It is generally held that the pacifist is entitled to hold his views, but not to undermine the nation's war effort. Due respect is shown to the rights of conscience. In Great Britain there are tribunals to consider applications from the conscientious objectors for exemption from military service. Up to the middle of February 1940, 7,544 applications were considered. Of these 13 per cent were unconditionally exempted; 45 per cent exempted on condition that they fulfil a civilian function; 24 per cent given non-combatant military duties; and 18 per cent not accepted as conscientious objectors.

Some of the tribunals have been fair and broad-minded, but not all. There has been a growing intolerance towards the C.O's on the part of the public under the guise of patriotic sentiment. Local authorities and private firms have abused their powers by dismissing employees for opinions which in law they are entitled to hold. Bellicose members of town councils have made C.O's among their employees resign on the alleged ground of being negligent or unpunctual. Still more disquieting is the fact that groups of workers, disregarding the principles of freedom of opinion, have in certain cases raised an outcry leading to the victimisation of individuals.

Civil servants as employees of the State are in a particularly difficult position in war time. Those who have a conscientious objection to taking part in work connected with war are faced with dismissal. Others are penalised for their political opinion. Civil servants who joined the social and non-military departments have in some cases been transferred to the heavily expanded war departments. If they show an unwillingness to perform the new duties on account of conscientious objection, they have to resign. No appeal is allowed, as in the case of ordinary con-

scientious objectors. It is believed that by applying a policy of intelligent discrimination, these people could be used in other services.

At the Labour Conference in England in May, 1940, Mr. D. N. Pritt, K.C., an executive member of the Conference, was given no chance to defend himself after the executive had expelled him for his advocacy of the Soviet case against Finland.

B. *Conscription* has been introduced in England and the allied countries. Although not a participant in the war, the U.S.A. has enacted conscription. There is conscription in England not only for military service, but also for industrial and technical services connected with the war.

Before August 30, 1939, the European Association of India opened a purely voluntary register, which was not comprehensive. On August 30, Government introduced a compulsory registration scheme. Under the amendment to the Government of India Act passed on June 26, the Governor-General can enforce compulsory military service both on Indian and European British subjects, but so far there has been no need for compulsion. The enlistment has been voluntary. Under the amendment of June 26, the Governor-General can enforce compulsion for civil and industrial purposes. A certain number of skilled labourers and technicians have been drafted already. Their jobs are to be kept open for them when they return from war service, and there is to be no abridgement of all the privileges to which they are entitled—such as pension or provident fund, leave rules, etc.

The present war has witnessed not only conscription of men for the fighting services and for technical work, but also conscription of wealth. In, May 1940 an Act was passed by the British Parliament giving government complete control of all persons and property in the country. Under the Act the Government may

"Direct any person to perform any services required, the pay being 'on the basis of the job';"

"Control all property, including land;"

"Take over industrial establishments, controlling wages and profits, or ordering firms, if neccessary to continue at a loss;"

"Control the finances of the country, including the banks."

Commenting on this kind of conscription, competent observers have said that England has turned socialistic overnight. A question which may cause much trouble to politicians in the future is, if wealth can be conscripted for war purposes, why not also for peace purposes?

A further form of conscription in England to-day is the conscription of ordinary labour. Under the Emergency Powers Act a Labour Supply Board has been established. This is to work in close co-operation with the Trade Union and Employers' organisations. The Minister of Supply can compel firms to produce war material.

C. *Censorship.* Freedom of speech, writing, and publication constitute a group of rights which must be restricted in war time. Even unwittingly one may help the enemy or enemy agents, popularly known as the Fifth Columnists. In England people are warned against talking politics and military matters in public places or in public vehicles.

For obvious reasons all telephonic communications to countries outside India have been stopped. Telegrams in code or cipher cannot be forwarded for transmission out of India. No message is accepted to Germany and other enemy countries. Within India itself there is no restriction on telegram (except, of course, as regards foreign territory in India). Press advisers have been appointed throughout India to see that no details are published which might help the enemy. Censors are sworn to secrecy.

Firms engaged in government work are not to mention the fact in their correspondence or print pictures of their factories,

works, etc. on their stationery. Parcels to neutral countries require permit. The same condition applies to firms desiring to trade with neutral countries. The Chief Censor is to issue permit when the necessary conditions are fulfilled.

In recent months there has been a phenomenal increase in the number of arrests and convictions for alleged objectionable speeches in all Indian provinces. Large numbers have been arrested in Bengal and the Punjab. Pandit Jawaharlal Nehru has been awarded a deterrent sentence of four years rigorous imprisonment for anti-war and anti-British speeches.

Till the end of June, 39 presses were penalised and a lakh of rupees was demanded on security. A new meaning is being given to sections of the Indian Press Emergency Powers Act. At the moment of writing, as a protest against stringent restrictions on the freedom of publication, Mahatma Gandhi has suspended publication of the *Harijan* and allied papers. On the whole, however, the policy of the government has been to interfere as little as possible with the liberty of the Press to express freely its opinions and comments on the conduct of the war.

The Ministry of Information in England came in for a great deal of public criticism during the early part of the war. The charge against it was not that it was using blatant propaganda, but that it showed a lack of understanding in dealing with the Press. The policy it pursued was a negative one. Instead of being in the field first with its truth, it let Goebbels and his propaganda machinery do all the mischief they could and then came forward to refute the charges, thereby weakening its position considerably.

It is heartening to find that in England, even in the midst of a life and death struggle, the Press cannot be forced to publish an item to which it objects. It is not obliged to publish government views unless it is in agreement with them or government is willing to take upon itself the responsibility for them. The Ministry of Information was severely criticised for raising hopes

in connection with the Dakar incident to a very high pitch and afterwards disappointing the public.

The momentous debate which took place in Parliament in May, 1940, resulting in the change of government is another illustration of the large degree of freedom of speech which still obtains in England. In that debate Mr. Lloyd George told the late Mr. N. Chamberlain that the only service which he could still do to his country was to surrender the seals of his office. During the same debate, Mr. Amery, a conservative M.P., made the best speech of his life, telling Mr. Chamberlain that he had outlived his usefulness and that he should "in the name of God, go." At another debate Mr. Lloyd George refused to be muzzled and as late as June 30, challenged the Government with the question: "Is criticism of this method to be suppressed by Nazi methods?"

British propaganda has come to realise that it has to persuade the people, if it is to succeed. Its only anchor of hope is truth, so skilfully presented as to maintain the morale of the people and stir them to action. The British propagandists are intelligent enough to see that lies do not pay. In the totalitarian States, on the contrary, news are analysed and decided by the central Ministry and orders are sent out and every paper repeats parrot-like what it has been told to give out.

D. *Freedom of Meeting and Association.* Severe restrictions have been placed on this right both in England and India. One of the early Regulations under the Emergency Powers Act was that the Secretary of State might make an order against a person for association with other persons. Under Regulation 23(3) the Secretary of State may prohibit assemblies or subject them to special conditions if he thinks that such action is necessary "in order to minimise the risk of loss of life or personal injuries being caused in consequence of war operation". Under Regulation 39 E, the Secretary of State may ban meetings or processions, if he is satisfied that they would be likely to cause serious public disorder or to promote disaffection.

Both in England and India government has the right of banning entry into "protected" areas. It has also the power tantamount to the prohibition of strikes in certain industries. In India loitering near a government building after being told to go away by any government official is punishable by three years' imprisonment.

Public assemblies in England can be restricted, and even prohibited, by the Secretary of State himself or by a chief officer of police authorised by him. Attendance at cinemas, theatres, and paid entertainments are controlled for the sake of public safety and security.

E. *Trial according to due process of law.* The suspension of the *Habeas Corpus* in both England and India is probably the biggest blow to the liberty of the individual. Under Regulation 18 (B) prohibition, restriction, and detention orders may be made against suspected persons in regard to the employment and their connection with other persons, and in respect of their activities in disseminating news or propagating opinions. The Regulation may be applied on the mere suspicion of the Secretary of State, which in reality means the suspicion of the police. Advisory committees have been set up for hearing appeals, but the Secretary of State may disregard their advice. There is no appeal to a court of law against the arbitrary decision of the Secretary of State.

Search warrant may be issued if an offence against these Regulations is suspected. There is a provision for entering and searching premises, without a warrant, and the police are likely to take advantage of it. If the liberty of the individual is to be protected, it is necessary to insist that the police should have the order in writing from an officer not less than a superintendent in rank before doing it.

Captain Ramsay, Sir Oswald Mosley etc., have been detained in England without trial on the ground that they were leading members of organisations which might be prejudicial to the secu-

rity of the State. Their detention is for "custodial purposes only" and is made as little oppressive as possible. They are allowed to have money, supplement meals from outside, have liquor and smoke, and wear their own clothes.

Under the Defence of India Rules many are detained without any trial or even a definite charge being made against them. For some time they were interned in their own villages, but afterwards in central jails. Several people in the Punjab, including members of the Legislature, have been kept under custody. S. C. Bose in Bengal was kept in custody for several weeks before he was tried. The kind of people interned, externed, detained or imprisoned are labour leaders, trade unionists, *kisans,* Congressmen and national workers, etc.

F. *Other Restrictive Measures.* England has a Treachery Act which provides for death punishment for espionage, sabotage, etc. In a sensational spy case tried recently two were sentenced to ten and fourteen years penal servitude respectively. For obvious reasons there is rationing of different articles of food such as tea, butter, margarine, sugar, bacon, ham, and meat. From 1st October 1940 in England there has been a ban on sale of cream.

Government is allowed to billet both military and civil servants on the general public. Pacifists are not excluded from the application of a billeting order. A complaint of the secretary of one of the civil service organisations in England is that 20,000 civil servants have been taken away from their homes and many of them billeted on people who may not want them and whose charges are rather high. It is significant that the complaint is not anything more serious. Another complaint is that these civil servants who have been taken away from their homes are allowed to visit their families at public expense only twice a year!

Trading with enemy firms is prohibited both in England and India. It is an offence punishable with imprisonment or fine. The "Navicert" system has been introduced, providing for a sort

of commercial passport for the consignment so that there will be the least possible delay at the Contraband Control base itself.

To prevent profiteering an Excess Profits Bill has been enacted in India, which imposes a tax of 50 per cent of the excess of business profits made after the 1st of April, 1939 over "standard profits." A similar measure is in operation in England too.

Voluntary organisations such as the Khaksars, Congress Civic Guards, and Muslim National Guard and Volunteer Corps have been prohibited from wearing military uniforms, practising military drill, possessing weapons of attack, etc. This is a wise precaution when it is remembered that it is on the backs of private armies that the Nazis rose to power in Germany.

In the districts and provinces of India Civic Guards have been formed, affiliated to the regular police. Their tasks are the maintenance of public order, air raid precautions, anti-sabotage, and other important aspects of civil defence. It is feared by some that these Civic Guards might be used against nationalist activities and foment communal feelings.

In England ample provision has been made for air raid shelter. Owners of commercial buildings are required to provide shelters for people working in them. Private individuals are not allowed to erect defence work without consulting military authorities.

The curfew order is in force in England with reference to aliens. In the early months of the war these strangers within the gate were indiscriminately detained. But later on the treatment has been more considerate. Genuine refugees have been released, but are not allowed to own bicycles, motor vehicles, seagoing craft or aircraft. Certain refugees are asked to report themselves at the nearest police station. At the closing sitting of Parliament not long ago when Hitler was bombing London, the House was discussing the question of a more merciful treatment of aliens, prisoners of war and the like, demonstrating thereby that in Great Britain even enemy citizens have rights.

Provision is made for the punishment of scaremongers, astrologers who spread alarming news, and money-lenders, brokers, and others who charge a commission for cashing a note. Those who hoard coins are punished.

Severe restrictions have been placed on lighting arrangements in seaport towns such as Madras so that they may not be easily visible from the sea or air.

Measures have been enacted against Anti-war propaganda and the claim of Mahatma Gandhi to conduct such propaganda has been refused.

Government has the right to exercise control over sale of articles. This it has not done to any great extent except, perhaps, as regards petrol.

IV. Conclusion.

A survey of recent events in England and India makes it clear that there have been serious restrictions on the liberty of the individual. Some of them are justifiable because of the kind of opponent we have to encounter, whose method is to sow discord and cause disunity in the country which he attacks so as to make it bring about its own destruction. Some of the Regulations, however, are too strict and have been drawn up rather clumsily. Recent Rules imposing severe censorship on the Press, which have happily been withdrawn under the protest of newspaper men, are a case in point. The government overshot the mark in prohibiting the publication of news which may be interpreted in a round about and indirect manner as interfering with war propaganda.

Notwithstanding such Rules and Regulations, it must be admitted that repression in England and India is nothing when compared with the situation in Germany and the enemy-occupied countries. All this does not mean that we can afford to be indifferent towards the inroads upon the civil rights of the individual.

As has been said repeatedly, the price of liberty is eternal vigilance. We in India cannot be too grateful to the publishers of responsible newspapers in India who have succeeded in making the Government rescind its order by their manly and reasonable protest. It is only to the extent to which citizens demand the right to sober, well-informed, and constructive criticism that the war can be won and the liberties of the citizens kept intact. Even if the war is won by a systematic policy of repression, we shall lose our very souls in the undertaking even as Germany has lost her soul.

In the preservation and protection of civil liberties bodies such as the Civil Liberties Unions, Trade Unions, Business Men's organisations, Citizens' Clubs, Universities, Bar Councils, and Courts of Law have a vital and urgent part to play.

PROPAGANDA IN THE MODERN STATE

By

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The present generation is witnessing a gigantic expansion of propaganda. In other words, there is going on a ceaseless and increasingly intensifying promotion of propaganda and an incessant activity of attack on the "mental front" of the people. The main agencies of propaganda are the press, the films and broadcasting by the radio. The promotion and expansion of mass education has put a new instrument, most potential in its actual consequences into the hands of "propaganda". The recent changes in the governments of the different states that we have been witnessing throughout the world and the marked outburst in national, social and economic activity have greatly widened the field of its operation. Liberal Democracy has always held, as part of its fundamental ideology, the duty of respecting and encouraging freedom of speech and thought in individuals and groups; but most serious in its consequences are the uses to which propaganda has been put by dictators in the endeavour to distort national feelings and international relations and even worse than this is its impressment for purposes of preparation for and participation in war. It has been said that this kind of propaganda, which forms the most effective and the largest part of its activity, acts as a smoke-screen in times of peace and definitely becomes a most poisonous weapon with the outbreak of war. Thus, in the words of A. J. Mackenzie (*Propaganda Boom*—1938) "the real dangers of propaganda enabling ambitious powers to engage in a secret war when they may not be able to contemplate open hostilities arise when they make simultaneous use of two great psychological forces, namely, prestige and fear, and the dictators

that have been looming large in the political field have synthesised prestige, fear and propaganda to form an unholy trinity of power."

Napoleon remarked in his own telling manner that he was more afraid of four hostile news-papers than of ten thousand soldiers; and this was true of his age when propaganda was but a puny infant and not the giant that it has now come to be. Historians have told us that it was in the Great War of 1914-18 that propaganda became the recognised Fourth Line of Defence. Even then it was recognised that an enemy could be defeated by the subtle and effective infiltration of hostile notions into the minds of the people. A characteristically German explanation of Germany's defeat in that war states that the real weakness of German organisation was due to the presence of subversive elements within the Reich, which fell an easy prey to allied propaganda and particularly to the merciless attack on the *morale* of the Germans, already exhausted by four long years of blockade, by the raining down, in the month of October 1918 alone, of more than five and one-third million leaflets over the German lines.* Hitler himself, in *Mein Kampf*—which is from first to last a propagandistic essay by a violent partisan, frequently warping historical truth and sometimes ignoring it completely—has praised in admiring words the real genius of British propaganda, which was most effective, as, in his opinion, the British understood that their effort should confine itself to a few points of view, and should be directed solely to the influencing of the opinions of the masses and should be pursued with untiring perseverence. He says that the British effort "at first appeared lunatic from the impudence if its assertions, later on became unpleasant and was finally be-

*G. S. Viereck, who was one of the leaders of the pro-German activities in the United States until the publication of the Zimmermann Note to the Mexican Government, pays this tribute to his opponents:

"Great Britain surpassed both her allies and her foes in the great game of propaganda. Where she failed in the might of her guns, she succeeded in the finesse of her propaganda. She ruled both the waves of the sea and the ocean of public opinion." Of course German opinion would not admit any suggestion that German armies were beaten in a fair field and by virtue of the superior endurance and *morale* of the Allied Forces.

lieved" and also that the British came to understand that this intellectual weapon could be used successfully only with the masses, but that success would richly repay the cost and the strain involved. Prince Max von Baden, the last Chancellor of Imperial Germany, in analysing the causes of the crisis of the autumn of 1918, felt that the effect of propaganda was among the compelling reasons for Germany's collapse.*

We have got earlier examples of the service of the propagandist in History. Thus the famous Times Correspondent, W. H. Russell, had, by epoch-making letters written from the front during the Crimean War campaigns, led to a drastic overhauling of the British Army organisation, equipment and supply and to a preparation of the ground for starting the great Red Cross Movement. The campaign of the Opposition Press in British against the Hoare-Laval plan for the partition of Abyssinia, which started in December 1935, was of very serious, and almost disastrous consequence to the British Cabinet of the day. Newspapers have, as we know, been subsidised by most governments into supporting them. Italy gave handsome sums of money to some of the newspapers of Paris to buy off their opposition during the days of controversy over the enforcement of Sanctions by the League against her in the Abyssinian War. So far from the state encouraging accuracy and correctness of reports in the press —and it is an obvious axiom that a Free Press, free from control by Government, would naturally give a very fair picture of what the public wants—, even the Democratic type of state has recent-

*In his work, "I Seek the Truth", the Ex-Crown Prince of Germany bewails, even more than the military disasters that overtook Germany under Kaiserdom, "the unparallelled falsehoods with which since the beginning of the war the enemy's propaganda has raised the whole world against us", embodied in the so-called covering Note addressed in the name of the Allied Governments by Clemenceau, the then French Premier to Count Brockdorff-Rantzau. Attention has also been drawn to 'disastrous' twisting of Chancellor Bethmann-Hollweg's 'much-calumniated remarks on Germany's advance through and attack on Belgium' in the beginning of the war—"Treaties are but scraps of paper. Necessity knows no law"—by enemy propaganda into something abnormally wicked and callous to international obligations and peculiar to the Germans alone.

ly taken to subjecting the press to a system of vigilant control. President Roosevelt's continuous triumph of policy illustrates this phase of press importance.

II

In Britain the first great Propaganda controller was Lord Northcliffe who built up a vast department with two aims, *viz.*, (1) to whip up enthusiasm for the Allies in the U.S.A. and (2) to persuade racial minorities in Turkey and Austria-Hungary to revolt. The big push came in the beginning of 1918 with the publication of Lloyd George's statement of the British war aims and the Fourteen Points of President Wilson following it closely. The movement became invincible in its momentum, being assisted by men like H. G. Wells, Rudyard Kipling and John Buchan. Britain, however, soon sank into her pre-war attitude of indifference to the necessity of continuing the propaganda.

In the early twenties of this century, i.e., in the decade following the Versailles settlement, it was the Soviet Republic that grew into the most blatant and specialised propagandist state among the great powers. The main force of Soviet propaganda was, of course, in its external activity, directed against the British Empire. But with the beginning of the mastery of Stalin and the downfall of Trotsky, there began a new orientation of the movement against the activities centering round Internationalism and the spread of Communism, because now the Soviet leaders began to realise that it would be suicidal to continue their hitherto futile attempts to destroy democracy and that it would be a good thing to arouse in the land the essentially *bourgeois* virtue of patriotism. But soon the primacy held by Russia as the most active propagandist state was speedily taken up by Germany and Italy. The German Ministry of Propaganda was started in 1933 by Dr. Goebbels and it has been deemed to be "the most formidable, psychological battering ram ever created." Its first great achievement was a pact with Poland (1934) by which both Germany and the Polish State agreed "to co-operate on all questions in forming public opinion in their respective countries to the end that mutual understanding may be awakened and that

a friendly atmosphere may therefore be assured." In Italy the Fascist Government had, early in its career, created the Ministry of Popular Culture. Later, March 1938, a Minister of Propaganda was appointed by the French Premier, M. Blum, in order to safeguard French culture and interests in foreign countries. M. Daladier who followed Blum in the Premiership, however, put an end to this ministry. A. J. Mackenzie, who has been already referred to as a high authority on this subject, bitterly regrets that Britain, though possessed of great advantages for propaganda purposes, had been content all this time to occupy a position of inferiority to, and more marked indifference in this matter than, France. In Germany there had also been started the auxiliary institution of "Auslandsorganization" equipped with control over all German residents abroad. Britain did not sufficiently appreciate the new phenomenon that was coming to be manifest everywhere, namely, that trade had now begun to follow the news agency and the radio and not the flag as it had done before. In Japan, the third great Axis Power, propaganda was used in the beginning very largely for commercial considerations and only subsequently for purely political objects. What can be held to be good with propaganda which was first envisaged in the German-Polish agreement of 1934 has been attempted also by Japanese agencies in Great Britain as a reaction to the Chinese effort to secure British sympathy or even indifference.

III

It was only a little later after these things had happened that Britain became propaganda-conscious. It was in the latter part of 1937 and in the beginning of 1938 that British emotions were roused by the prevailing conflicts in Spain, in Eastern Asia and in Abyssinia, and the British Cabinet was definitely induced to start upon propaganda activity. It was in February 1938 that Sir Robert Vansittart was appointed by the Government to be the Chairman of a Committee to co-ordinate the activities of all institutions and agencies engaged in the work of publicity in foreign countries and of which the most important were the British Broadcasting

Corporation, the Travel Association, started some years earlier and the British Council, formed as late as 1934, whose aim has been "to make the life and thought of the British peoples more widely known abroad and to promote a mutual interchange of knowledge and ideas with other peoples." This last institution deserves some special notice. It encourages the starting of British Institutes and British Societies abroad and the creation of chairs and lectureships in English in foreign Universities; and also the circulation of British periodicals abroad, the encouragement of libraries of English books being formed abroad, the provision of bursaries for foreign students in Britain, foreign lecture tours and exhibitions of British art and the visits of groups of foreign journalists and students in return. Lastly, the House of Commons, after a debate that may be deemed historic, because it was the first definite attempt made since the Great War of 1914-18 to stimulate British propaganda in general, passed in February 1938 the following motion:—"That, having regard to the increasing activity of certain foreign Governments in the field of propaganda, political and cultural, by means of the press, broadcasting and the films, this House urges the Government to give the full weight of its moral and financial support to schemes to further the wider and more effective presentation of British news, views, and culture abroad." The subsequent measures undertaken by the British Government were impressive enough in their extent and import, though they might pale into insignificance in contrast with either the activities of foreign powers or even British activities since the outbreak of war in September 1939.

IV

A distinction that may be observed by the intelligent citizen is that propaganda work is more difficult in countries where democratic conditions fully prevail and where education exists on a wide-spread scale and consequently the mass of the people cannot be easily steam-rolled. This feature is in marked contrast to the methods adopted in Russia and Germany where the masses, either lacking individuality of development or having

been moulded into uniform types by careful schooling and other training, could be easily worked up to the mesmerism of mass-suggestion. With such material, assembled in huge crowds, it is a very easy task to rouse up passionate enthusiasm and devotion by the Hitlerian specialities of pageantry and parade, long and impressive processions, torchlight rallies, frothy and foaming repetitions of slogans and all the features that marked the development of the National Socialist German Workers' Party. German propaganda in the Third Reich has gone to the extent of producing even separate "religions." Hitler is the "Messiah" of a religion whose faith is that it alone can save the world so far as the German people are concerned. Some writers like Kube and Ley have even likened him to Christ. In the eyes of many, and perhaps even in his own abnormal imagination, he is the mouthpiece of German Providence. The most effective slogan used in this branch of propaganda activity is the cry:—"Ein Reich, ein Volk, ein Fuhrer," meaning "One Reich, one Folk, one Leader", which the Nazis chant vociferously at every demonstration. The way in which even serious-minded German intellectuals have been taken in and drugged with the poison of this kind of propaganda can be seen from the following extracts that plainly show the cloven foot of the whole movement:

(1) Junius Alter:—'Hitler was the first to manage the feat of opening a wide breach in the Marxist ranks and winning back to the ideas of Fatherland and folk not thousands merely but hundreds of thousands of German workers, particularly those of the younger generation. That this was not possible with pastoral exhortations and well-meaning little tracts, with charity bazaars and other similar "Humanitarian" trinkets, is evident. Marxism could be beaten only with its own weapons.'

(2) With reference to the propagation of some official religious creeds which looks so abnormal to the non-German mind, the most important can be summarised in the following words: "The German Faith Movement, which during the summer of 1933 was formulated by delegates assembled at Eisenach. Status as a

separate religious confession was demanded. Its leading theorists have been Dr. Wilhelm Hauer, who holds that the Indo-Germanic religion (mother of all religions) awaits resurrection in modern Germany; and Dr. Ernst Bergmann, who believes that God has manifested Himself most completely in the German soul. This movement had for a time something like popularity, largely attributable to the influence of Dr. Hauer. The Tannenberg Bund, which was headed by General Ludendorff until his death, is based upon the intuitions received from the 'German soul' by his wife, Mathilda. The Hermann Wirth Society, which holds that the true religion of Nordic men was that of the lost continent of Atlantis and that modern faith must grow out of endeavours to reconstitute this faith, has come nearest to worshipping the ancient gods of Germany. In addition, leaders of the S. S. and the Youth Organizations have instituted ritualistic exercises derived from a composite Germanic religion. Pagan ceremonies in honour of Christmas and Easter, old-German wedding ceremonies, and 'liturgical processions' are prevalent phenomena. The use of Hitler's picture on the altars of some churches is a kindred manifestation. Yet it is believed that all such things have failed to interest any large number of people and that the effect on youth has been negativistic."

(3) Rosenberg has definitely asserted in his work, "The Nature, Objective and Principles of the N.S.G.W.P.," that the idea of the genuine folk-state was born out of the concept of race, and "this idea is at present the final criterion of the German judgement of all that they do on earth."

The Nazi propaganda machine has borrowed different elements from different sources. Hitler has always attached the utmost importance to the psychological weapon and to colour symbolism and spectacular displays. He borrowed from Italy the salute and the value of music and from Russia the use of huge massed parades. His chief propagandist helpers have been Rosenberg and Goebbels. The latter had served first as an assistant to Gregor Strasser in Berlin and later transferred his loyalty to Hitler. He is undoubtedly an unprincipled opportunist and

has been named the Nazi Radek and the Nazi Mephisto; but he has an extraordinarily mobile intelligence and has captivated the younger generation of German intellectuals, as no other speaker or member of the party has ever done. His book, entitled 'My Part in Germany's Fight', gives the details of the Nazi propaganda in the critical election of February—March, 1932, that really built the basement of its edifice of supremacy. He takes infinite pains over details and spends whole days perfecting a single slogan. He became the Minister of Public Enlightenment and Propaganda in June 1933, and was given complete control over all matters connected with the exercise of an intellectual and moral influence upon the nation and propaganda in the interest of state, culture and national economy. Every year, right up to the war of 1939, he spent 20 million pounds on propaganda alone, which sum was much greater than the British expenditure on the Royal Air Force before their expansion programme started. Under the influence of the Nazi propaganda, Munich—the birth-place of the Nazi movement and the 'Valhalla' of its martyrs—has become the 'spiritual capital' of the new Germany, radiating "the waves of mysticism that give the party creed the grip of religious revival." It is believed that the pilgrims to the Brown House at Munich far outnumber those who worship at the shrine of the Holy Prophet of Islam at Mecca; and Nuremberg, with its annual party Congress is "a vast dynamo, charging the party with energy and confidence and reaching into the remotest part of the country."

The first object of Nazi propaganda is the suppression of such beliefs and institutions as would militate against the Totalitarian theory of the state in any respect. The whole nation is divided for this purpose into groups of fifty families, and a Nazi member is set to watch over each such unit. Propaganda is expected to win men who in return will help to carry it on. In 1936 a scheme was launched for creating a class of men who would become sound political leaders for the party; and annually 4,000 youths, sons of loyal members of the party, were to be selected to attend special training schools, entirely under the control of the party, where they would spend several years; and after they finish this

training and till they reach the age of 25, they would be engaged in military training and in learning some trade or profession. A further period of four years will be spent by those selected as the best among them, "in the castles of the National Socialist Order." The best students thus selected and trained would go to a special school under the direct supervision of Rosenberg; and thus the future Junkers of the Nazi State would be reared on a super-Lycurgean system of rigorous bodily and nervous discipline. For them and for all loyal party men, Rosenberg's 'Myth of the Twentieth Century' is the main thesis and source of inspiration. This new race-Paganism has developed, as already noted, a creed which finds a Germanic source for all religious and cultural values.

V

The Nazi propaganda campaign that has resulted in the enlargement of the shadow of the Swastika over the neighbouring countries in the last four years is a very interesting subject of study. One difference between the state under a dictator and the democratic state in relation to the use of propaganda is that for the former, censorship is necessary even in peace time; but the latter requires and uses the censor only when it is at war or under a special crisis. But as Mr. Mackenzie remarks:—"It is significant that, with the spread of Fascism and authoritarianism throughout the world, the shadow of the censor grows longer every year. Even in the democracies, the armaments race, making national defence the foremost problem of politics, has imposed marked restrictions on the free reporting of news." By the middle of 1938 censorship had come to be exercised over the press over more than half the world; and the countries where genuine freedom prevailed had come to be narrowed down to the British Empire, the U.S.A., Holland, Switzerland and Scandinavia. Abundant testimony has been given by many foreign journalists and correspondents, particularly those of the U.S.A., to the absence of any official efforts in Britain at the imposition of a censorship or the foisting of consciously-aimed propaganda

on the newspaper press. Thus a high American authority has certified as follows to the British official attitude:—"Britain deserves more than a small cheer for its preservation of the freedom of the press in the years before the present war. It is the one major Power which abolished the censorship at the conclusion of the World War and has not since restored it in any form. The American Correspondent working in London enjoys practically the same measure of freedom that he would be working under in his own country."

Propaganda in war time has certainly become abnormal both in character and in the fields and methods of its operation. It would be impossible at present even to visualise and take stock of these changes and improvements. But that they have all diminished the citizen's right even under Democracy to the enjoyment of the right to hear for himself, to choose or reject for himself, is very clear; and so authoritarianism, canalisation of public opinion and mass feeling and diminution of individuality go on growing apace. The safety of the British press even in such an atmosphere lies in the fact that her political system has developed through centuries of evolutionary growth, and has been linked up, fundamentally and inseparably, with the spirit and character of her people. In the war of propaganda and counter-propaganda even democracy has been thrown back on its defensive position while dictatorship has had a free field in the use of any propagandist weapon that may be deemed necessary. "Democracy, however, is precluded by its very nature from having recourse to all the propagandist weapons so readily wielded by the Totalitarian State. It must not, on peril of self-annihilation, attempt to regiment the minds of its citizens by crushing out all hostile propaganda. It is compelled even to permit the advocacy of intolerence by those who take advantage of toleration to encompass its ruin."

"Thus restricted in its methods and subjected to a onesided attack, the democratic State is faced by a most formidable task in organising counter-propaganda. Against this, however, it has one advantage that may be decisive if properly utilised." And

this is easily realised where the democracy is a stable one as that of Britain, dependent upon the full support of the people accepting a well-established social discipline, which would promote tolerance and harness progress to the chariot of social stability. Under such conditions democracy can greatly strengthen and benefit by its propaganda both at home and abroad, and this is best done by the constitution of a Ministry of Information with a comprehensive programme and resources.

Censorship which is a flagrant denial of the individual's right to hear every opinion and to form his own judgement on a comprehensive basis is born of war-crisis and has apparently come to stay in the greater part of the world. In periods of crisis and of war, restrictions on free publication are inevitable for the sake of preserving national unity and strength. But what was formerly considered abnormal is now taken for granted and this is a regrettable feature of the whole movement.

THE BREAKDOWN OF CIVILISATIONS

By

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The Royal Institute of International affairs is an unofficial and non-political body, founded in 1920 to encourage and facilitate the scientific study of international questions. It has the good fortune of having as its Director of Studies, Dr. Arnold J. Toynbee, who is rightly called "The Gibbon of the 20th century." His "Study of History" in 9 volumes, of which 6 have so far been published, is a masterly achievement. Everyone is realising the futility of schemes for universal peace without a universal mind and a universal soul. Whether we agree or disagree with the conclusions of Dr. Toynbee on certain issues, we find in his study a theme expounded in the highest key, asking us to bear in mind, "that the unity of mankind is a goal which men can attain only by way of the common fatherhood of God and not through any exclusively human endeavours in which God's leading part is left out of the reckoning". "The whole of mankind can never dwell together in a brotherly unity until men have learnt to exchange their intrinsically conflicting as well as parochial tribal loyalties for one common allegiance to a Heavenly King".

In the first 3 volumes published in 1934, Dr. Toynbee discussed the genesis and growth of civilisations. According to him, neither race nor environment are the chief factors of growth. The chief factor of growth is the creative power manifested by creative individuals or creative minorities, who can influence and attract the uncreative masses.

The three new volumes deal with the breakdown and disintegration of civilisations and when the last proofs were sent to the press in March 1939, the painful feeling was passing over the

author's mind that at any moment, the great world-war might break out and all this writing might be a waste of effort. At such moments, the writer fortified his will by calling to mind St. Augustine's *De Civitate Dei,* which was begun in A.D. 410, before Alaric's sack of Rome but which survives to the present day as a source of inspiration to all who believe in spiritual values.

If the growth of civilisation is due to the creative power of individuals or minorities, the breakdown of civilisation is due to the loss of that creative power. The creative minority degenerates into "a mere dominant minority which attempts to retain by force a position which it has ceased to merit." This fatal change "provokes the secession of a proletariat, which no longer spontaneously admires or freely imitates the ruling element." The proletariat is divided into two distinct parts: the internal proletariat, prostrate yet recalcitrant under the dominant minority's heel, and an external proletariat of barbarians beyond the pale of the disintegrating society, violently resisting incorporation. This violent stasis leads to barbarian invasions and the dominant minority is barbarised and vulgarised.

Thus, the breakdowns of civilisations are not acts of God. They are not attributable to a loss of command over the environment, physical or human. They have not met their death from the hand of an assassin. Their death is due to a loss of self-determination through a loss of harmony; a case of suicide by exhaustion.

This loss of harmony is exhibited in a schism in the Body-Social as well as in the human soul. Schism in the souls of the human members of a disintegrating civilisation displays itself in a variety of shapes. They are all substitutes for creative activity. Two such substitutes are Archaism and Futurism. "Archaism is a reversion from the mimesis of contemporary creative personalities to a mimesis of the ancestors of the tribe. It is a lapse from the dynamic movement of civilisation to the static condition of primitive mankind". On the other hand, "Futurism is a repudiation of any mimises of anybody. It is one of those attempts at a forcible accomplishment of change which result, in so far as

they succeed, in the production of social revolutions that defeat their own purpose by tumbling over into reaction." "Both archaism and futurism are Vutopias that produce a troubling of the waters with a violence that brings no healing." They are doomed to fail because both are attempts to perform the impossible acrobatic feat of escaping from the present without rising above the spiritual plane of mundane life on earth.

Another way in which schism displays itself in a disintegrating society is the manifestation of Abandon and self-control. Abandon means "a state of mind in which antinomianism is accepted as a substitute for creativeness". Self-control is "the alternative substitute for creativeness in the same age of social decline". Dr. Toynbee gives beautiful quotations from Marcus Aurelius and Epictetus, illustrative of stoic self-control. "Did I ever transgress Thy commandments? Did I ever use for any other purpose than Thine, the talents or the senses or the innate ideas that Thou gavest me? Did I ever reproach Thee? Did I ever blame Thy governance? I was sick when that was Thy will. (My fellows were sick likewise, but when I was sick, I did not rebel). By Thy will, I knew poverty, but I rejoiced in it. When death overtakes me, may these thoughts be in my mind and these words on my pen or on the page that my eyes are reading." Another indication of this sickness of the soul is the manifestation of Truancy and Martyrdom. Among others, Dr. Toynbee illustrates this by the truancy of Thomas Wolsey followed by the martyrdom of Saint John Fisher and Saint Thomas More.

The consciousness of moral defeat, the feeling of the loss of the elan of growth, gives rise to a sense of drift in a universe in which evil is triumphant in the macrocosm. "The routed soul is prostrated by a perception of its objective failure to master and control its environment". This sense of drift has an active counterpart in the "sense of sin which is an alternative reaction to an identical consciousness of moral defeat." "The soul then girds itself for the arduous spiritual enterprise of attacking and overcoming karma". Another sign of this social disintegration

is a sense of promiscuity in religion, language, manners and customs. According to Dr. Toynbee, in the field of language, the sense of promiscuity reveals itself in the change from a local distinctiveness to a general confusion of tongues. "In a disintegrating society the masses are masters of their mother-tongue only and of no other language besides".

So also in religion, Syncretism is an outward manifestation of that inward sense of promiscuity. Sometimes we find a fusion between the hereditary religions of alien Empire-builders, who have earned the status of a dominant minority in the society which they have provided with a universal State, and the hereditary religion of the indigenous dominant minority which has forfeited its birthright and has in consequence been degraded to the ranks of the internal proletariat. Kabirism, Sikhism and Brahmoism are quoted as examples of such a fusion.

Then follows a long survey of the contacts of philosophy and religion, leading to the conclusion that where philosophies and religions meet the religions must increase while the philosophies must decrease. He quotes Bergson to point out the fatal and fundamental weakness of philosophy—the lack of elan or spiritual vitality. Philosophy provides for the intellect out of all proportion to the provision for the other faculties of the soul. It is prone to address itself to an elite, hardly understood by the people at large. To inculcate a philosophy from above downwards into the souls of mankind in the mass is a forlorn hope and is doomed to failure.

Dr. Toynbee, therefore, suggests that a mere philosophic detachment, aiming at another world that is exclusive of our own earth, is a sublime failure. The proper solution lies in transfiguration: the divine other world, transcending the earthly life of man without ceasing to embrace it. "For, behold the kingdom of God is within you." The Rebirth of society should be through the substitution of the love of God for the love of self. To forego the opportunity offered by religion is to walk more slowly and with more stumbling.

The pangs of the "unborn soul" have been poignantly felt by sensitive minds all over the world. Writing in 1928 in the little brochure, *The Religion We Need,* Sir Radhakrishnan referred to the prevailing dissatisfaction as a prelude to the rise of a truer, more spiritual and so more universal religion. He appealed for "a more vivid, a deeper sense of the one universal God as the profoundest need of our age." C. E. Joad in his *The Present and Future of Religion* (1930) forecasts that the future of religion is "one in which the experience of the mystic will become the experience of the ordinary man."

To pass a note of dissent, on such a scholary work is impertinent. It should, however, be mentioned that the teaching of the Bhagavad Gita is misinterpreted on p. 146, Vol. 6. *Samoham Sarva Bhuteshu*—is not "heartlessness". The sage who is Kama Sankalpa Varjitha is not one, "whose every motion is void of love and purpose." The Bhagavad Gita teaches not only detachment from the self but also a corresponding love of God. A modern mystic gives the true meaning of the Gita thus: "In incessant, uninterrupted, continuous flow of respectful love towards God, who is everywhere, in every being, animate and inanimate. This love of God is the purest love. Adore the God in your elders. Love the God in your youngsters and exhibit a perpetual flow of love everywhere in word, deed and thought from the trifling everyday physical act to the ennobling highest spiritual meditation." Today, we seem to be farther away from that Transfiguration, which is invoked as the gentler remedy for the ills of the world, than ever before. Until a common humanity realises its Common Divinity, no peace is possible in this world.

SEPARATE ELECTORATES IN INDIA

By

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The forms of Government in a country are intended to serve the best interests of the people inhabiting that country. It therefore goes without saying that the interests of the people will be best served by institutions that take into due consideration the genius of the people whom they intend to serve. Hence, any form of government which is contrary to the culture of the people whom it wants to serve will be a failure, however technically sound it might be.

In trying to devise a form of government best suited to Indian conditions, one must recognise the existence of the Hindu and Muslim cultures. The Hindu religion advocates the belief in a superior spirit without a second with different manifestations. Its caste system based upon the occupation of men, with its division of the life into four stages or ashrams i.e. those of the student, the householder, the recluse and the wandering spiritual leader though not observed literally, is still believed to be the ideal. The religion of Islam is based upon the conception of one God and the Prophethood of Muhammad with the Quran as the revealed book intended for all climes, times and races and has democracy added to its social system. Apart from these cultural differences the Hindus and Muslims, have been living together all these centuries, and no doubt their national character has gone soft, and this softened attitude towards each other is manifested in many ways. These manifestations might have been more perceptible medieval India. But they can never be said to have interpenetrated each other in a manner as to alter the fundamentals of the two cultures. If this fact is accepted the form of government best suited to Indian conditions must recognise

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the independent existence of the cultures. Hence the theory of arithmetical democracy or the mere rule of numbers, however successful it might have been elsewhere, cannot be the last word in Indian polity.

On account of the geographical groupings of peoples in modern times, the people as a whole cannot govern themselves. They have to select representatives to govern them. Therefore, before we could think of forms of governments that are best suited to Indian conditions, we have to decide in the first instance the methods by which the representatives who are to lay down laws for us are to be chosen. The central idea of representation is that the chosen representative reflects the views of the people who choose him, subject of course to the variations due to his individual merit. He is intended to serve the cause of the voters, who select him and hence should, as far as possible, reflect their mind. Therefore, the very idea of a representative form of government as applied to India postulates the theory of separate electorates; for it is impossible to think that the Hindu representative could reflect the views of the Muslim voters and *vice versa*. The idea of separate electorates, therefore, instead of being the negation of the representative form of government, is the best form suited to present Indian conditions.

There is yet another argument for separate electorates, which is based upon the conditions now prevalent in India. It is rash and short-sighted to underestimate the acuteness of the present political differences and rancour prevalent in the minds of the leaders of the two major communities. The idea of separate electorate conceded by the Government of India Act of 1935 recognises the differences between the two communities. And the provincial autonomy both in the Congress governed provinces and in provinces where Muslims are in a majority, rightly or wrongly, has accentuated to a certain extent the political antagonism of the two communities. And if the Government of India Act of 1935 is to be scrapped, as indeed it is bound to be at the end of the war, and a new constitution is to come into being, it should be the endeavour of every true minded Indian

that the legitimate rights of every community are to be fully protected both by legislative and administrative methods. It is often said that the existence of separate electorates puts a premium upon the communal problem and the abolition of separate electorates is advocated as the only solution for solving the communal problem. It is true that by a stroke of the pen, separate electorates might be abolished. But the results might be so disastrous as to smother the atmosphere of opportunities of rapproachment between the two communities. Therefore, any attempt to solve the communal problem by ignoring its existence or its intensity will be a suicidal step which should be avoided at all costs.

The idea of negation of separate electorates is based upon the theory of a unitary nation and the practice of liberal democracy as obtaining in western countries. Both these political concepts, which have not been an unqualified success in their native homes are not suited to Indian genius and Indian conditions. The unitary nation idea is an exotic plant which is foreign to India. The Princes of India, backed by treaties and traditions and a hoary past, are too great a factor to be easily reconciled to the theory of a unitary nation. The over emphasis of the unitary nation in the west has led to the present chaotic condition which we are witnessing in helpless anger. Let us therefore learn a useful lesson from the history of peoples, who have unfortunately given too much prominence to the nation idea. We in India, by evolving a solution of the communal problem on the basis of the existence of two integral communities, will be able to provide necessary modifications to the nation state idea in its absoluteness, which has been the bane of western countries.

The liberal democracies of the West have been found wanting on account of the ever existing conflict between the theory and practice of democracy. The principle of democracy rests on the conception of "a society of enlightened citizens who postpone their lower and more immediate interests to their higher interests identical with those of the community". Democracy therefore presupposes a mass of citizens, well educated morally and politi-

cally. Once the existence of such a mass of citizens is granted the case for democracy is unanswerable. But democracy as the ideal and democracy as practised are two different propositions because the interests of the people as a whole are lost in the dust of personal and party strife and the ideal of democracy remains an unrealised dream in the promised land. In theory, democracy rests on the idea of the "Sovereignty of the people", The word 'people' means the nation organised for collective life with an adequate division of labour and responsibility among its several institutions. But according to the practical democrats the word 'people' means the votes and not the nation. They proceed upon the statistical conception of democracy, i.e., the view that the number of votes decides the issues before the community. The effect of this is that there is a literal interpretation of the doctrine of the "Sovereignty of the people". Politicians go before the electorates and loudly proclaim them sovereign. To them sometimes they submit the most abstruse problems of finance, the most delicate questions of foreign policy or national defence, or what is more common they keep a discreet silence about these, but catch their vote by appealing to their passion or petty interests. Thus in political life there is a competition downwards and thoughts on government have to be brought down to the minimum intellectual level of the electorate.

In India the conflict between the theory and practice of what little democracy we have is too well known. The average Indian is illiterate and not educated politically. He is too unsophisticated to realise the implications of the vote. The representative form of government is totally foreign to him. Hence the majority of numbers can have no sanctity whatsoever in India. The ordinary voter in India is carried away by popular phrases and personalities. He does not exercise his vote in a dispassionate manner. And even their representatives in the Legislatures do not exercise their votes freely. We have been witnessing, during the two and a half years of Provincial autonomy in some of the provinces, the sight of representatives merely recording their votes and not expressing their opinions in regard to party mea-

sures. In the Municipal Councils and District Boards there are always party meetings, where the party leader expresses his opinion on a particular matter and his views are assented to by all. The matter formally comes up before the meeting of these bodies and a farce of a discussion is gone through and is declared carried by an overwhelming majority. The non-party men are not even heard and even if they are heard it is only on sufference.

In this state of conflict between theory and practice, it is highly disastrous to the interests of the minorities if the principle of the "Sovereignty of the people" is to be literally applied. The form of government that will then result will be not "democratic" but "demogogic".

The principle of separate electorate, in thus placing check upon the possible tyranny of numbers, is conducive to friendship and goodwill between the two communities, which is the *sine quo non* for communal amity, the importance of which from the political point of view can never be overestimated. For, the political freedom of the country is conditioned upon the harmony existing between the Hindus and Muslims in India.

A MEDIEVAL COMMONWEALTH IN THE LAND'S END OF INDIA

By

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Dr. Stanley Lanepoole was far too sweeping and palpably inaccurate in his statement that 'the history of medieval India is merely a chronicle of kings, courts and conquests.' However true this might be of the Imperial Sultanate at the centre, it is inapplicable to the myriads of villages, in which then as now, the real heart of India beats. The villages in South India in particular have had a fascinating record of self-governing institutions and in the midst of the turmoils and rebellions, they continued the even tenor of their existence in a marvellously tenacious manner. Indeed it is no exaggeration to say that it is these village assemblies and the self-sufficient corporate bodies that have kept alive the integrity and individuality of Hindu culture. Sir Charles Metcalfe, with his intimate knowledge of Indian local institutions, justly observed: "This union of the village communities, each one forming a separate little state in itself, has, I conceive, contributed more than any other cause to the preservation of the peoples of India, through all the revolutions and changes which they have suffered and is in a high degree conducive to their happiness, and to the enjoyment of a great portion of freedom and independence."[1]

The tiny commonwealth that sprang up and maintained a marvellous vigour in spite of heavy odds in the southern most corner of India, would, I presume, give the lie direct to the statement of Dr. Lanepoole. This group of villages, called

1. Report of the Select Committee of the House of Commons, 1832, Vol. III, page 331.

Nanchinad, comprises the taluks of Thovalai and Agasteeswaram of modern South Travancore. Nanchinad, blessed with a bountiful supply of rainfall and a fertile alluvial soil has been and continues to be predominantly agricultural and is commonly reputed as the granary of Travancore. The land has had a chequered history; it was for ages the bone of contention between the Pandyas and the Cheras; later on the incursions of the Vijayanagar kings and the Nayaks of Madura were far too frequent. But in the midst of these turmoils, and perhaps as a consequence of them, the people of the land developed an acute political consciousness, organised their own assemblies and enforced their political rights and privileges most tenaciously.

The course of circumstances which led to the establishment of a free commonwealth can be briefly indicated. That Nanchinad was ruled over by a line of Kurava chieftains for a time[2] is accepted on all hands. The first Kurava king is said to have received the land as a gift from the Pandya king, whose territory extended down to South Travancore.[3] This Kurava chieftain was assisted in his administration by the Periyaveettu Mudaliyar.[4] The latter rendered yeomen service in organising the administration soundly, and for generations the successors of the Periyaveettu Mudaliyar continued as prime ministers of the Kurava chieftains. The last of the Kurava rulers is said to have made the audacious proposal of marrying a girl of

2. Mr. Nagamiah held that the probable date of the rule of the first Kurava King was 455 M.E. (1280 A.D.).

3. The names of villages like Azhakiyapandipuram and Bhoothapandy speak for themselves.

4. The Mudaliyars who settled down in South Travancore came from their original home of Kaverippumpattinam. The legends would have it that the Kurava chieftain requested the Pandiyan King to lend the services of an able adviser and that accordingly the Periyaveettu Mudaliyar was sent. I do not believe in the latter theory, because in the statements made by some later members of the Mudaliyar family in the Court at Padmanabhapuram during a trial on 10-11-1004 M.E. (*Vide* Mudaliyar Manuscripts) reference is made only to their original home at Kaverippumpattinam and their subsequent migration to Nanchinad. If the lending of the services had been a fact and not a later invention surely it would have been alluded to.

the Mudaliyar family for his son and this led to the organisation of a plot and the total extermination of the Kurava and his family.[5]

What is germane to our purpose here is to note that after the end of the Kurava rule, Nanchinad entered on a momentous period of self-government. Nanchinad at once became free and was declared the commonwealth of the people and the Periya-veettu Mudaliyar of Azhakiyapandipuram became its Oliver Cromwell.[6]

How the affairs of the commonwealth were conducted, what political institutions and measures were employed, are not specifically known to us through any inscription or manuscripts which refer to that epoch. But from the very copious body of the 'Mudaliyar Manuscripts' belonging to a slightly later date (i.e. from the 7th century M. E.) very legitimate inference can be made as to the broad lines on which this commonwealth was organised and worked. It is absurd to think that after Nanchinad came under the formal sway of the Travancore kings, all the political assemblies and institutions described as working in that period should have sprung up all too suddenly. They must have undoubtedly flourished also in the era of the free commonwealth.

Nanchinad must have comprised then, as it did under the early Travancore kings the country lying between Mankalam and Manakkudi, and was divided in to 12 *pidakais*, each one of the latter containing a small number of villages. For all internal affairs the village was a self-sufficient unit, each with its own

5. The story of the stone Mantapam was believed in by Mr. Nagamiah and he added that in Kurathiara, the relics of the mantapam are to be found. But Mr. S. Desivinayakam Pillay, the epigraphist and Tamil scholar, says "that he visited the place and made a search for the Mantapam and its ruins but could not find any." Recently I too went to the village, but I have not been more fortunate than Mr. Pillay. Apparently, the legend, which, however is popularly believed, is incredible. The Mudaliyar and his supporters must have got rid of the Kurava chief by force.

6. Article by Mr. S. Desivinayakam Pillay on 'The Mudaliyar Manuscripts' *vide* The Kerala Society Papers, II, Series 7.

temples, pasture lands, its own artisans, its washermen and barbers and men of other essential occupations. The duties and rights of these classes of people were determined by agelong custom. On occasions of death, marriage or other social functions in any village, all the members thereof used to participate and render that kind of help customary to their class or social grade. Each village had its *Kuttam* or assembly, which managed and regulated all the common concerns of the village like the temples, temple properties and looked after the maintenance and repairs of public tanks, rivers[7] and means of communication.

Men of status and respectability of the various villages met together frequently, under the presidency of the eldest member of the family of Periyaveettu Mudaliyar, as the assembly of the Nattars of entire Nanchinad. All important matters pertaining to the whole of Nanchinad were discussed and settled here. The resolutions (ஒப்புரவு மொழி மாரு ஓலைகள்) passed in the assembly of the Nattars provide unmistakable testimony to the active political sense and the dominant corporate spirit pervading among the people.

Among the functions undertaken by the Assembly of the Nattars were clearly the financial and judicial functions. Besides the cess on agricultural produce, fines (குற்றத்தண்டம்) levied by the assembly and special cesses called சாவுக்காணி (death-dues) and வாழ்வுக்காணிக்கை (dues on marriage occasions, birth of child etc.) must have constituted other sources of income for the common fund of the Nattars.[8]

The judicial functions were discharged between the assemblies of the village and the assembly of the Nattars. Minor offences were tried in the village but the other crimes were

7. படைப்பற்றுப் பிடாரகைக் கேள்வியில் மேலப்புத்தேரியில் குளத்துவேலை ஆற்றுவேலை உள்பட்டவகைக்கு ஊரார் கீளில் நடத்திவரவே.
முதலியார் ஓலைகள்—நம்பர் 49. (—16-5-960, M.E.)

8. Vide Travancore State Manual, Vol. I, page 317.

under the jurisdiction of the assembly of the Nattars. The latter had the right of enforcing the customary caste rules and regulations.[9] Any one disregarding and transgressing the caste rules would be tried and punished. Social ostracism was a potent weapon used as a punishment for these and other serious offences and in those days there was a terrible dread of this penalty because an outcaste became a social leper.

The commonwealth was after a period brought under the control of the Travancore kings. When and how it was done has been a matter of controversy among writers. But whether they were conquered by the Travancore ruler (as held by Mr. Shankunny Menon) or whether they were brought under his sway as a result of correspondence and negotiations (as held by Mr. Nagamiah) it is certain that the king did not establish his rule at the point of the sword. Epigraphical evidence[10] there is, to show that the Nanchinadians themselves defined the method in which they were to be governed and under what conditions the administration was to be taken over by the Travancore ruler, for instance apprehending that permitting the house compounds of the people to be taxed would be to recognise them as government property, they insisted on proprietary rights of the localities of habitation being vested in themselves.

What is most striking is that even after the formal establishment of the rule of the Travancore king, the Nanchinadians were through their agelong local institutions and assemblies carrying on virtually their own government. The energetic vigour of these assemblies, the all comprehensive functions they discharged and the courageous resolutions they passed are at once most surprising and constitute an abiding testimony to the acute political consciousness, the robust commonsense and sturdy independence of the people.

9. "அவனவன் ஜாதிமுறை தப்பி நடக்கிறபேரையும் சோதிச்சுப்போ மாவாகவும்" முதலியார் ஓலைகள் 16—4—898 M.E.

10. Travancore State Manual, Vol. II, page 374.

Their rights and privileges they sought to maintain at all costs. No intrusion into or invasion of these rights, even if it be from the highest officials of the state including the king himself, was ever tolerated. Several resolutions passed by the people in their assembly recount the pledges given by the ruler to protect the time-honoured rights and privileges of the people.[11] Excesses on the part of the government officials and tax collectors were brought to the notice of the ruler through resolutions passed by the Nattars and duly communicated to him. The complaint against the Dewan Ummini Thampi for the abusive language he used and for other wrongs done to them is a case in point.[12]

Again resolutions are found which complain about the government attempting to exact taxes in excess of the limits formerly agreed upon. 'If they should demand any items as due from omission (ஒழுகு) or wrong entries in accounts (கணக்கு பிசகு) we should protest against such unjust demands by unitedly making a bold stand and by emigrating.'[13]

Indeed these frequent threats of emigration are strange and striking. On one occasion, due to the failure on the part of the ruler to redress their grievances, they refused to cultivate the land. And it must be remembered that these were not empty threats; the threats were actually carried out several times. When the tension between the people and the government was at its height, the assembly even insisted on the people refusing to serve as accountants under the government. The punishment for the latter offence was forfeiture of the offender's pro-

11. See for example the resolution passed on the 16th Karthikai 898 M.E. at Kadukkarai.

12. திவான்சியவர்கள் அதிட்சயமாயிட்டு உள்ள வாக்குகளும் சொல்லி அரிக்காறரை விட்டு மழவராயன் மாரை அடிச்சு, அவர்கள் கையிலிருக்கிற பொத்தியைப் பிடிச்சு பறிச்சு தீவான்சியவர்கள் முன்பில் கொண்டு வைத்தபின்னே கையிலெடுத்து தறையிலடிச்சு நாலாறு முறியாய் முறிச்சு சதைச்சு எறியவும் செய்தார்.

13. *Vide*, Resolutions passed at Asramam on 14—5—889 M.E. See also resolutions passed at Vadasseri on 1—3—878 M.E. and at Isanthimangalam on 15—10—891 M.E.

perty. Verily these smack of modern ideas and weapons of 'non-co-operation' and 'satyagraha.'

The kings, on their part, endeavoured as best as they could to redress the grievances of the people. "Every time that the Nanchinadians migrated east of the Aramboly frontier, they were called back to their homes by the kings who always cajoled them with sweet promises of sympathy and better protection."[14] On important occasions the king consulted the Nattars or they were invited to the capital to confer with him on grave matters. The rulers also made it a point in the course of their tours to meet the leaders of Nanchinad and personally listen to their grievances.

The high esteem in which the Nanchinadians were held by the ruling sovereigns is evident from the fact that special firman were despatched to the people through the eldest member of the Mudaliyar family intimating about births, deaths and even illness of members of the royal family.[15]

But the people and their assemblies would have commanded little respect had it not been for the corporate spirit that pervaded and that was actively cultivated among the citizens. How they were to present a solid front, how they should never fall victims to corruption or bribery at the hands of government officials, how no kind of defection in their ranks would be tolerated and how in the event of any one amongst them being subjected to loss or suffering, the people as a corporate body were to stand by him and to compensate him from the public funds are also laid down.[16] Naturally whole-hearted co-operation with and im-

14. State Manual, Vol. I, page 324.

15. Olai No. 53 dated 15—1—980 M.E. Olai No. 48 dated 30—8—957 M.E. and Olai No. 52 dated 6—7—973 M.E.

16. Resolution passed at Asramam on 14—5—889, M.E.

"இப்படி நடந்துவாற விடத்தில் ஒரு பிடாகையிலே ஆகிலும் ஒரு ஊரிலே ஆகிலும் ஒருத்தன் பேரிலே ஆகிலும் இராசகர உபாதிகொண்டு சேத பாதம் வந்ததே உண்டானால் நாட்டுப் பொதுவிலே செலவு கொடுத்து நிறுத்திக் கொள்வோமாகவும்.

plicit adherence to the 'will of the Nattars' was expected of every one and cases of defection were met with public enquiry and condign punishment. In the resolution passed at Kadukkarai on the 16th of Karthikai 898 M.E., it was specifically laid down: "If any one betrays the proceedings of the assembly through bribery or if any one consents to pay the unjust taxes, he shall be liable to pay with his person and property the penalty for such treachery."

After the monarchs in Travancore had got rid of their opponents and overcome their early difficulties and had strengthened themselves securely, they found the Nanchinad assemblies and their resolutions and threats as irksome. It was apprehended that these political assemblies might become excessively troublesome and so in 993 M. E. (1818 A.D.) a royal proclamation banned the holding of political meetings in Nanchinad. The assemblies sank down 'unwept, unhonoured unsung.' The assemblies had been powerful and unique organisations for centuries. Mr. Logan's remarks about the Kuttams of Malabar apply with equal, if not greater force, to the assemblies of Nanchinad. He wrote: "They were in short the custodians of ancient rights and customs, they chastised the chieftains' ministers when they committed 'unwarrantable' acts, and were the 'Parliament' of the land."[17]

17. *Malabar Manual*, Vol. I, page 267.

SOME ASPECTS OF DEMOCRACY

By

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The theory of democracy is not a definite system of political philosophy like Communism and Fascism. It is a collection of principles that are generally regarded and accepted as valid. They are not demonstrably true in the laboratory sense of the term. They are accepted by the democrat as self-evident. The axioms of democracy, are not related to each other by any obvious logical connection. The assumptions of democracy are not verifiable nor can they be established by the aid of syllogistic logic. For positing the first principles of democracy the only authority is intuitive apprehension of the democratic principles. This does not mean that everybody would assent to them or assert them. If anyone were to question the validity of the democratic principles, we have no method by which we could prove them to the satisfaction of the questioner.[1]

What are the democratic principles? Firstly, the individual is of the greatest value in life and that the success of any civilisation or the efficiency of any government should be measured in terms of the scope it affords for individual development. The production of "the splendid individual and not the mechanically efficient society" is the aim of the democrat. To a very large extent the democrat is an individualist. The stress is on the growth of the individual and not of the community. The individual for the democrat is not to be treated as a "drop of blood in a racial purity, nor as a cog in a proletarian or totalitarian machine, nor as an ant in a social termitary," but as a self that must live and grow according to the highest law of its being. *Politics* are secondary

1. Prof. Joad's Guide to the Philosophy of Morals and Politics, Chap. XIV.

to it. The sacredness of the individual is of greater import to the Hindu democrat than to the rationalist. To the rationalist there is nothing beyond the grave for the individual. The Hindu democrat believes in the spiritual and indestructible nature of the individual; hence his greater attachment to democracy. Democracy to the Hindu is no secular creed as it is to the rationalist of the West. The belief in the sacredness of the individual is the cardinal tenet of democracy. To express it concretely, "the poorest he or she has a life to live as the richest he or she." The poorest he has his own life, and is not to be managed and drilled by others for the achievement of his ends. The individual's life is his, and he has to live it. So he must first give his consent to be governed and then put himself under the government he likes. "Nothing can ever compensate an individual or a people for slavery." The individual is the thing that matters.[2] "The really valuable things in human life are individual, and not the things that happen on a battlefield or in the clash of politics or in the regimented march of masses of men towards an externally conceived goal. The organised life of the community is necessary, but it is necessary as a mechanism, as a framework, not as something to be valued on its own account."[3]

The second important principle of democracy is freedom, as fostering the tender plant of individuality. Freedom is the life-breath of the individual. Liberty is like health and air. We know its value only when it is denied to us. Freedom is the thing for which the individual lives and without it he is no better than a robot or an automaton. The denial of freedom is the denial of all that makes life worth living. A systematic denial of freedom reduces men to the level of brutes. They are not shrubs to be cut into the shape of peacocks by a skilled gardener. The shrub remains passive whereas the human being can convey his ideas to others. The denial of freedom produces in men

2. Mills, *Essay on Liberty*, pp. 19-20.
3. Bertrand Russell, *Power*, last chapter.

listlessness and cruelty, together or in alternation. Passive adaptation is impossible for the individual; the individuals that are denied freedom turn out to be grotesque and distorted specimens. In the long run their powers of endurance also fail. Endurance is the outcome of freedom. Without liberty an individual will not learn to endure. The denial of liberty stands in the way of the achievement of true strength, which is valuable and real only where it is self-developed.

From these twin concepts the sacredness of the individual, and necessity of freedom, all other minor tenets of democracy follow. The democrat has no faith in the cult of the superman. He refuses to be guided by the intuitions or genius of any single man. He would never consent to sacrifice the manifold personalities of the different individuals for the production of the most powerful or imposing *Leviathan*. He does not subscribe to the principle of infalliable leadership, however great the leader may be. He is out to do away with the philosopher-kings of Plato. He disbelieves in the principle that the few must guide and the rest must follow. The democrat believes that all men reach their best in different ways. He believes in the capacities of the ordinary man. The ordinary man is neither wicked at heart, nor weak in head, he is just malleable clay to be properly shaped into form. The democrat believes that the individual in a free environment has the greater chance of rising to the full height of his stature. In the words of Lowes Dickinson "What we should aspire to create is not men like statues, beautifully shaped for someone else to contemplate, but living creatures choosing good because they know evil." Hence the democrat is up against all regimentation and tuning of the mind.

Is democracy consistent with a state? Does a democrat feel the need for the state? What is the function of the state in a democratic world-order? Should it use violence and if so to what end and how far? The state according to the Democrat is for man and not man for the state. The state should make the individual's life possible. Its primary purpose is to maintain Law

and Order, but its plenary purpose is to enable the individual to live a good life.

To fulfil this function, the state must concern itself with background functions rather than with foreground activities. It should not prescribe men's activities, but must be prepared to step in and check the evils that result from the unhindered anti-social activities of men. The state must help us to hinder hindrances. A certain minimum of force is necessary for checking such anti-social activities. That is the function and justification of a state. Liberty along with democracy would perish if either were too high-minded to defend the state. Force without justice is not more of a disaster than justice without force. The broad testimony of history bears out this fact.

The democrat is against the concentration of unlimited power, unrelated to any function in the hands of a few men or a single man. He believes with Acton that all power corrupts and that absolute power corrupts absolutely. Power in itself is neutral and it must be harnessed to useful social ends and not allowed to be used for the gratification of a few individuals. The central problem of democracy is the devising of the ways and means of 'taming power'. In order to tame power, the democrat has introduced several checks at all stages in the machinery of the Government.[4]

Another important pre-requisite for the successful working of any democracy is the presence of the democratic temper and the rational view of life. The one chief reason why democracy did not take deep roots in the new states created in the post-war Europe is the non-existence of the democratic tradition in those countries.

The democratic tradition is against the assertion of the superiority of force. It is government by discussion. It is an education in itself. Toleration of different views and use of reason

4. Betrand Russell's book *Power, a new social analysis,* chapter on "Taming of Power."

and persuasion in the place of force are the chief characteristics of democracy. It is with this point in view that Plato observed that constitutions are not born out of rocks but out of the dispositions of men. In the words of Prof. Earnest Barker, democracy is not the art of cutting heads nor counting them but the art of laying them together.

The early Greeks translated the democratic ideal into institutions and established for the first time a direct democracy. The democracy of the Greeks denied political privileges to a vast number of slaves, and thus it negated the very principle of democracy—i.e., every individual must count as one before the eye of the state. Besides, it violated the life principle of democracy namely, that every individual should be treated as an end, never as a means.

Modern representative democracies that own great empires are also in a sense violating the principles of democracy. They deny the very liberty they enjoy at home to the colonists over whom they rule. This aspect of the question has expressed itself in the view that democracy and empire go ill together. An eminent Indian Professor of Philosophy in the course of an address suggested that democracies, if they are to survive and fulfil their functions, should follow the advice given by Jesus to the rich man when the latter asked Him as to what he should do to attain salvation. Jesus asked him to sell all that he had and distribute the money to the poor. Democracies should do that. Democracy lays stress on the great advantages political liberty confers on men and insists that it should not be dismissed as useless.

The great use to which political liberty has been put in the past cannot be easily dismissed as of no consequence. The secular state with democracy as its creed expressed itself in the free grant of the franchise. This was admired for a time. Since the advent of marxian socialism, people have grown discontented with the content of political liberty and its use. Liberty is considered a liberal fetish and a mere

academic good. The cry of the day is that in the capitalist world order, i.e., in an unequal economic context political liberty is just 'twaddle,' 'sound and fury signifying nothing.' It is a poor consolation, says Shaw, to endow an individual with the franchise when he has an empty stomach. Political liberty devoid of economic equality is considered to be an opiate administered by capitalist economists. For the first time Prof. Laski qualified the democracy under which we live as *capitalist democracy,* where we have full political liberty entrenched in an unequal society. A true democracy, distinguished from capitalist democracy, should create an equality of opportunity and should try its best to indefinitely diminish if not to totally abolish the economic inequalities which strongly militate against the effective use of political liberty. The great task of a democracy to-day is to redefine the class relationships and disentangle political power from it.

In a capitalist democracy it was assumed that when once freedom is granted everything follows; 'Give liberty to all, and everything takes its proper place and everything is at peace.' The main function of justice in a capitalist democracy is the protection of property. It worked admirably so long as the environment was stable enough to maintain the self-confidence of its governing class. But inherent in it was a new struggle for power. Alexis de Tocqueville observes "that men will use their political power to demand an ever increasing material comfort." By the use of political liberty labour won concessions for a time. But when the era of capitalist expansion came to a close owing to several economic factors, such as the contraction of markets, etc., the capitalist class could not yield any more concessions to labour. When labour pressed in to gain more and more economic concessions with the help of the political liberty it enjoyed, the capitalists had to cry halt. Any further co-operation with labour would mean the extinction of their profit. So they took to suppression of political liberty. This has been called the *Fascist phase of capitalism.* The Marxians hold that genuine liberty is not merely political. It must imply

economic equality also. Liberty and equality are not antithetic terms. *Liberty only begins to operate significantly upon the plane of equality,* and without it, as Hobhouse put it, it is a name of noble sound and squalid results. "Equality supplies the basis out of which liberty comes to have a positive meaning."

The socialists therefore hold that what we want is the necessary economic equality as the background for liberty. So they decry political liberty as not worth having without economic equality. Democracy might find its fulfilment in socialism but the doctrine of political liberty championed by the liberals is not useless as the Marxians imagine it. It is by the effective use of political liberty that men have been able to achieve a large measure of social legislation e.g., old age pensions, unemployment and health insurance benefits, free education etc. The history of social legislation in a capitalist democracy shows that political liberty is not an impediment to economic liberty. On the contrary, democratic liberalism, far from being a foe of socialism, is its ally. What is socialism, but the extension of the democratic principle into the economic sphere?

Students of politics with their leanings to the left have, however, expressed their despair at the possibility of ushering in socialism through constitutional means. Prof. Laski in his *Parliamentary Government* has pointed out that the so-called democratic institution of parliament worked successfully in the nineteenth century because it rested on a community of interests among those who in practice controlled its operations. Throughout that century the government of the two parties, Conservatives and Liberals, could get on very well, because both the sides were in agreement on the fundamentals such as the concept of property. Their quarrels were merely sham quarrels. The end of the nineteenth century saw the rise of a political party that did not agree with other parties in their adherence to the principle of private profit and property. So the issues that have been faced in Parliament since the rise of this new party are no longer mimic battles, but are real wars. If the socialists were returned to power at an election and if they tried to put their

programme into practice there would be no sympathy from other parties because there is no agreement on fundamentals. The parties in opposition very well know that a socialist order would endanger the capitalist interests. Under such circumstances the party of the capitalists would make use of all its key positions such as the monarchy, the Church, the judiciary, the police, the civil service, the press and the B.B.C. and destroy the legislature as well as the constitution. Hence the socialist pleads that by the mere use of the legislative mechanism and political liberty we cannot achieve socialism. They conclude that democracy to be real must be socialistic.

The state in a democracy should not merely content itself with the discharge of the negative duties. It has certain positive duties to perform. It must guarantee certain minimum rights to the citizen without which he can never 'contribute his instructed judgement to the social good.' The state has to be judged not by what it proclaims but by what it performs. In an ideal democracy the state should not be placed on any higher footing than the other organisations of the community. Obedience to the state must be based on the state's contribution to the individual's growth. The principle of political obligation must be based on consent. The state must co-ordinate the work of all other associations and must check the anti-social activities resulting from the unregulated functioning of other social organisations. Decentralisation and devolution of functions have come to stay as the mechanical devices of the Government in a democracy.

No true democrat ever claims that democracy is a final form of government. It is the least objectionable form of government that is practicable. In the long run the democratic principle makes for civilisation. It is not a mere form of government, it is an ideal philosophy of values. It is the secret of social peace. It is not mere counting of heads, nor is it cutting them, but it is the art of laying them together.

And above all, what principle of government, other than democracy, is there which is at once a governmental principle

and a great educator of men? If human beings form one family, it is through the principle of democracy that we may teach them, educate them to love one another, to pursue in their common interest the highest good of which mankind is capable. Call it enlightened self-interest if you like, but remember, it is enlightened and therefore human and not unworthy of men.

FEDERATION AND DEMOCRACY IN INDIA

By

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A moment has arrived in our national history when fundamental issues must be faced honestly, all cant and camouflage being put aside. The materials for a fresh advance to a better polity are all there; there are also obstacles. But in the belief that the grounds for hope are stronger than those for despair, I have ventured to sketch the factors and forces on the side of progress as well as those against.

II

The one, and almost the only, good feature in the Government of India Act 1935, is its scheme of distribution of powers between the centre and the units. By drawing up a well-considered list of powers to be vested exclusively in the centre, and by providing the machinery for securing that no states were admitted to the Federation that did not accept the control of the Federation in a clearly indicated group of subjects in that list, the authors of that Act created the plan of central government which would command the necessary minimum of strength needed in the executive government vested with the defence and management of the affairs of a vast country.

Without exception, all the empires of Indian History perished for lack of executive strength in the central government. And the political unity of the country so recently and laboriously achieved, so full of tangible benefits for the people of India, and so easily maintained with the technique at the command of a modern government, this unity should be the bed-rock of any further constitution-making. This unity is of such fundamental importance that no political advancement is worth purchasing

at the cost of danger to it. But one does entertain the hope that in spite of all appearances to the contrary and of the attempts of parties manouvering for position, the country has not lost the desire to maintain the unity of the whole as well as individuality of the parts; this two-fold desire, which is the essential pre-requisite of all federation, was evinced in a striking manner by all who spoke for the country at the first plenary meeting of the Round Table Conference and has been re-affirmed since by every responsible statesman.

From the point of view of the political unity of India the scheme of the Act of 1935 incorporates a provision which, unless it is repealed at the earliest opportunity, may turn out to be a real obstacle to constitutional progress. For the first time in that Act, a distinction was made between the Governor-General as head of the Federation and as representing the Crown in its relations with the states, and two offices were made out of what was one before. This was done in deference to the wish of the princes and the 'strong opinion' of the Butler Committee 'that the princes should not be transferred without their own agreement to a relationship with a new government in British India responsible to an Indian legislature.'

This opinion of the Butler Committee is no more than an *obiter dictum*, valuable as advice on an important political question, but standing all by itself in their report, and even opposed to the trend of their deliberate findings on questions of historical fact and constitutional law. In criticising the opinions tendered to them by the eminent counsel engaged by the princes for the occasion, they said: "It is not in accordance with historical fact that when the Indian States came into contact with the British power they were independent, each possessed of full sovereignty and of a status which a modern international lawyer would hold to be governed by the rules of international law. In fact, none of the states ever held international status. Nearly all of them were subordinate or tributary to the Moghul empire, the Mahratta supremacy or the Sikh kingdom, and dependent on them. Some were rescued, others were created, by the British"

(para 39). They also refused to recognise any limits to paramountcy and in conformity with practice and canons of political wisdom, they observed: "Conditions alter rapidly in a changing world. Imperial necessity and new conditions may at any time raise unexpected situations. Paramountcy must remain paramount; it must fulfil its obligations defining or adapting itself according to the shifting necessities of the time and the progressive development of the states" (para 57). They also held, let it be noted, that if in any state there was 'a widespread popular demand for change', the Paramount Power would be 'bound to suggest such measures as would satisfy this demand without eliminating the Prince' (para 50). In short, the fact that the treaties of the States are with the Crown does not and should not stand in the way of the constitutional advancement of India.

On their side, the Princes are well aware of the realities of the situation and the demands upon them of the proximate future. Here is what the Maharaja of Bikaner said well over ten years ago in London: "The States rightly maintain that Treaties concluded in honour and friendship are binding until they may be amended, and they can only be amended by negotiation and honourable agreement on both sides. Nor must it be concluded that we of the Indian States are under the belief that changes in British India will have no reflex action on ourselves and on our relations with our own subjects. The territories of the Indian states are so interwoven with British India, so many of the more enterprising of our traders have business in the new commercial centres on the seaboard, which have grown up under the *Pax Britannica* and the opening of the Suez canal that we must be influenced by the development of political ideas and institutions beyond our frontiers. But this is our affair. Is there anything in adherence to these principles either opposed to, or inconsistent with, the fullest development of India until she takes her equal place as a constituent State in the British Commonwealth with the other Dominions, welded into an indivisible whole under the aegis of the Crown? I say, "No—a thousand times No". It is sometimes said that there are two Indias, British India and the India under the rule of her own Princes. That is true in a politi-

cal sense; but India is a single geographical unit and we are all members of one another. We, the Princes, are Indians—we have our roots deep down in her historic past, we are racy of the soil. Everything which tends to the honour and prosperity of India has for us a vital concern. Everything which retards her prosperity and shakes the stability of her institutions retards our own growth and lowers our stature. We claim that we are on the side of progress." Wise words these, which deserve to be cherished by the Princes and acted up to in good time.

III

If Federation is the most suitable frame for the constitution of a free India, Democracy in some form is the only type of government now fit for a society that claims to be civilised. 'Liberty, Equality, and Fraternity' was the democratic formula of the French Revolution; experience has shown that often the conflict between the first two members of this trinity brings disaster on the third. Democracy is an ideal and a dream; it is in the nature of things, that everywhere the meaner passions of men debase ideals in their social currency. Taken all in all, democracy has sought to organise the rights of the individual citizen, the carrying on of government with the consent of the governed, and the eliciting of that consent by means of active discussion of public affairs.

Is democracy suited to India? This question, having been raised, needs an answer. One argument urged against democracy in India is that the rule of the majority as a permanent arrangement would be intolerable to the minorities. There seems, however, to be little justification in this feeling. So far there has been no tangible ground for it. Our governments, irrespective of party or colour, have been very solicitous of minority interests, to the detriment of those of others. The majority have not grudged even this; and would approve of it, if it secured the desired end without becoming the base for further encroachments.

But democracy is *not* majority rule, and no true democracy works by the divine rights of the fifty-one per cent. When Burke said it is better to count heads than to break them, he was not advocating the mere counting of heads, as the best means of reaching decisions, but simply suggesting that it was better to submit to majority rule than to start a civil war. Discussion, the free and open expression of rival points of view, is of the essence of popular rule, and to ascertain by vote the will of the majority at the end of it is only a rough and ready method of assessing the result of the discussion. But no one who has the slightest acquaintance with the working of modern democracy will doubt the power of minorities to influence policy and legislation. The majority would be foolish to ignore them, and all parties know it.

But apart from the automatic security inherent in the mechanism of the democratic state, it should not be difficult to allay suspicion and reach reasonable agreements on outstanding issues of a concrete character if the parties concerned mean business and are not merely indulging in competitive exhibitions of their power to make trouble. For if truth be told, the people of India, for all their surface differences, are and feel one at heart, and would realise and cherish that unity, but for the efforts of those who trouble the waters in order to be able to fish in them.

Consideration for minority opinion and integration of different points of view in the field of social action are nothing new to India. Democracy based on the assertion of the individual's rights was no doubt unknown to eastern tradition; but right is only the obverse of duty, and Asia built her society on the foundations of duty, of the broad law of Dharma or Shariah, which sets a limit on human action, forbids some things and enjoins others, and marks off the realm of liberty from the chaos of license and anarchy. Let it be remembered that in everyone of our villages and even in religious congregations, the decision of an assembly on all subjects was reached by a full discussion leading to the greatest measure of agreement. Counting of votes was usual only in election of persons, decision by unanimous con-

sent being preferred on all other occasions. In spite of much recent propaganda, our villages still retain that broad and humane toleration, the will and the capacity cheerfully to accept differences of habits and manners, which has generally marked the relations of individuals and of groups in the past. Differences do not become divisions except when we want to divide, and castes and communities are tending to become irreconcilable 'entities' only under the hypnosis of interested suggestion and propaganda. It is necessary, and it is possible now, to recapture and vivify the true spirit of democracy that forms so essential a part of our traditional culture.

At the moment democracy has many enemies all the world over, and not the least powerful among them are those who would use 'minority rights' as cover for ulterior designs. The technique is by now well known: to trump up and repeat charges of misrule and oppression against the chosen victim, and then to act as if everything that *can* be done *may* be done. There is nothing here which any honest thinking man can admire, and one shudders at the possible Indian imitations of this last abortion of militant greed in another part of the world. Indians, like the Chinese, have through the long course of their history upheld a higher scale of human values; they are weak materially, and in their political organisation, India far more so than China; but behind their apparent weakness, there resides the patient strength born of an age-long wisdom, of which the world stands in great need to-day. It will be a bad day when the people of the East begin to imitate, whether deliberately or unconsciously, the blatant falsehoods of Europe!

Claims for a special position in the polity are sometimes based on memories of the part played in the recent history of our country by particular sections of the nation. Besides the essential vulgarity and injustice of such claims, they are fundamentally opposed to a true sense of common citizenship in a democracy. If we cease to think of our ancestors, and think only of ourselves and our children, we cannot escape the feeling that we are all in the same boat and must sail together to the same goal—or sink!

DISARMAMENT: PAST, PRESENT AND FUTURE

By

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In common parlance disarmament implies the abandonment or reduction of warlike establishments. In the words of Viscount Cecil "it is a genuine first step towards the complete disappearance of all aggressive armaments among the nations of the world." The idea underlying disarmament is to do away with the manifold miseries resulting from warfare. This war mentality or psychology or psychosis has a long history dating as far back as the very dawn of the human race. The state of nature in which man is supposed to have originally lived is often described as one of incessant warfare. If political theorists and philosophers are prone to dismiss it as a pure figment of imagination, history comes to the rescue. Even the holy scriptures of the different religions of the world make mention of righteous wars fought in the name of God known as *dharma yuddhas, jehads* and *crusades* pertaining to Hinduism, Islam and Christianity respectively. War has thus been a legalized mode of the most hideous, wholesale and violent forms of killing. It has been the product of selfish egoism and jingoistic nationalism. To count the number of wars that have been fought from the birth of the human race down to the present time, it may suffice to note that from 1821 to 1914 forty wars have been fought. The Napoleonic war lasted for 9,000 days and two million souls perished. The Great war lasted for 1750 days and the loss in men amounted to ten millions. The horrors of war are so great that it has been pithily remarked, " if mankind does not end war, war will end mankind." Hence in view of the collossal losses that have resulted from war it is being realized through such agencies as the League of Nations that disarmament is desirable. But a policy of disarmament bristles with numer-

ous difficulties and before enumerating them it is necessary to trace the growth of the idea of disarmament from its very origin. A reading of history will show that the healthy idea of a need for disarmament was rather long in coming. It was only as late as 1817 that the first attempt was made towards reduction of armaments. By the RushBagot agreement the United States of America and Great Britain limited the number of their warships on the Great Lakes to three vessels. Again in 1831 and 1863 France attempted without success to bring about an international limitation of armaments. As imperialism, the dominant note of the nineteenth century, and disarmament developed side by side, one running counter to the other, all attempts during the nineteenth century at disarmament were vain and puerile. The next stage was reached in 1902 when the Argentine-Chile Agreement was concluded, by which the nations party to it resolved to desist from acquiring vessels of war. Later, the Hague Conferences of 1899 and 1907 were, for want of a legal or moral sanction, powerless to enforce those agreements. It was only after the shock of the Great War that opinion became unanimous that the condition precedent to the establishment of world peace was the disarmament of nations. Accordingly, article 8 of the Covenant of the League of Nations laid down that "plans are to be drafted by the Council for the general reduction of national armaments which the members agreed in recognizing as necessary for the maintenance of peace." In order to carry out the provisions of the article, a permanent advisory committee and later a temporary mixed commission were set up. But their work was hampered owing to the hostility of the military nations which were outside the League. Progress was, however, achieved in the Washington Agreement of 1921 (November 12th) according to which U.S.A., Great Britain, France, Italy and Japan bound themselves not to use in warfare asphyxiating, poisonous or other gases and all analogous liquids, materials or devices. But the Conference failed to put an end to the competition in building submarines, light cruisers and aircrafts and left the problem of disarmament on land untouched. The next land mark is the

Geneva Protocol of 1924 which declared that wars of aggression were an international crime and provided for the compulsory settlement of all disputes, both justiciable and non-justiciable. A further step was taken in the Locarno treaties. Germany, Belgium and France agreed not to attack or invade each other or to resort to war against each other. In 1927 the Coolidge Conference, otherwise known as Geneva Naval Conference, sought to limit cruisers, destroyers and submarines but it was a sorry failure. In 1928 America showed by a gesture to the world that she was not far behind other nations in demanding world-peace and the gesture materialized in the Briand-Kellog Pact. It registered the determination of over sixty countries, including Russia, not to have recourse to war for the solution of international controversies and their renunciation of war as an instrument of national policy. A tragic spectacle was witnessed in the London Naval Conference of 1930 when nations could not come to an agreement as to any significant reductions. War psychology which influenced the policy of the nations assembled at London was the tragic error of the Conference.

Having sketched the growth of the idea of disarmament it may be examined how far the policy is practicable in the present circumstances. The world to-day is full of suspicion and mistrust and nations are still slaves to the War God. Further though nations are mentally inclined to accept its desirability, the atmosphere is not favourable for realizing this object now or in the near future. For what do we find? The leading powers of the world are increasing their armaments more than ever in all directions. An appeal to statistics may substantiate this statement. In 1914 Britain spent 76 millions on her navy. Now after the Great War she spent 52 millions. The fall in figures explains only the fact that Britain could not spend more on account of her financial stringency. U.S.A. in 1914 spent 42 millions, and recently she spent about 78 millions, Japan in 1914, 15 Millions and 26 millions in 1930. France has increased her military expenditure since 1925 by 21 millions. Besides, in regard to aerial expenditure, Great Britain has spent 2 millions more over 1922 figure, U.S.A.

20 millions, Italy 6 and France 4 millions. And the Belgian minister in February 1931 budgetted for military expenditure of 1,300 millions francs. Of the world expenditure on armaments, 60 per cent is borne by European countries, 20 per cent by U. S. A. and 20 per cent by the rest of the world. Thus the world to-day is in possession of a great or aggregate of armaments than in 1914. And the presence of the "Escalator-clause" permitting Japan, U.S.A. and England to increase their armaments consistent with the progress made by France and Italy may be set down as a hindrance to any policy of disarmament. Among other things which corrode the atmosphere of good-will and peace may be mentioned (a) the absence of a true spirit of international legalism, (b) deep-rooted belief in the inevitablity of wars (c) craze for compulsory military training, (d) want of moral sanctions to enforce the decisions of the League of Nations, (e) the refusal of U.S.A. Turkey, and Russia to become official members of the League, (f) the absence of a permanent disarmament commission and (g) lack of the ripe international public opinion in favour of total disarmament.

While the causes that impede the progress of disarmament stand unchecked, the World Conference was to meet on 2nd February, 1932. It had set before itself the five-fold objects of (a) reduction of armies, (b) reduction of navies, (c) reduction of military budgets, (d) abolition of poison gas and disease germ warfare and (e) the establishment of a permanent disarmament commission. It may be said without exaggeration that the earnestness and sincerity of the great nations of the world were on trial during the conference and the success or failure of disarmament largely depended on the success or failure of that conference. At any rate failure did certainly lead to preparations for war on a more gigantic scale than the one recently undertaken "to end war" or to "make the world safe for democracy."

The end of the Great War of 1914-18 left Germany sad but wise. With the rise of Germany to military power based on Nazi technique and philosophy, it was considered by some that the

growth of dictatorship was the finest culmination of forms and modes of Government. A few neophytes saw glory and prosperity in the change of German republican form of Government.

National finance has been directed towards the production of latest mechanised bombs, machine guns, noise-terror bombs, low-flying and fog-flying bombers and planes, manufacture of flame throwing tanks, floating tanks, well-equipped modern mechanised parachutes, throwing of mines on the Naval highways, and manufacture of lethal rays and artificial fog. Nazis are priding themselves on the creation of some secret weapon unknown to democratic countries.

In the name of settling the problems of German minorities in Finland and Poland, hostilities commenced on September 3rd, 1939, a fateful day in the history of the world. The fortunes of the war from September 1939 to June 1941 are seemingly in favour of brute force.

Austria, Czechoslovakia, Finland, Poland, Norway, Denmark, Holland, Belgium, and France whose occupation was brought about by the cowardly attack on the southern side by the entry of Italy into the war on the 10th June 1940 are shining successes fraught with great danger to the peace of the world. The complete capitulation of France is a mysterious event full of possibilities.

At this stage of the history of the world, one has to see the writing on the wall hidden in its partial revelation. In the midst of the din and bustle caused by Nazi air raids heavy bombing and machine-gunning, the war weary world has become deaf to and proof against the call of higher destiny, reason, soul force and spirit force.

It may therefore be said that the doom of brute force is an epoch making world event which is coming to pass as a blessing in disguise after passing through a period of intense horror, loss of life and property, incalculable losses, tragic travail, serious suspense and anxiety and demonaical destruction.

With that consummation, will commence the New Era of a New World Order where militarism will give way to the magnetism of the mind and spirit, where pacifism will be enthroned as the permanent pride of the universe, where each nation will be free in every sense of the word on a basis of international inter-dependent harmonious give and take.

NATURE OF LAW

By

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The term 'Law', it is necessary to premise, has been used in two distinct senses in theoretical and practical sciences. In the former it is used as the abstract idea "of the observed relations of phenomena"; in the practical sciences the term is used to express "the abstract idea of the rules which regulate human action" (Holland).

At this stage may be examined the different conceptions of law which have been prevalent at various epochs of civilization. "Identical social needs have been met by different communities in different ways." (P. N. Sen, *Hindu Jurisprudence,* p. 2).

According to Hindu ideas, "*Dharma* or sacred law contains its authority within itself; the king is not superior to it but like other human beings he is subject to it." In a brilliant manner Dr. Priya Nath Sen, after a deep study of the sources of Hindu Law, has laid down that "the Law is supreme; the will of the king is not its originator and its sanction is not derived from any extrinsic or accidental agency for it contains its sanction within itself in the certainty that obedience to law will lead to welfare and its violation to misery. A facile conclusion may be drawn that these laws represent commands issued from God but the Mimamsakas maintained that every action had an invisible force which subsisted even after the cessation of the action. As the learned Colebrooke has put it, this invisible force designated as *apurva* was a relation "super-induced not before-possessed; a virtue meantime subsists unseen but efficacious to connect the consequence with its past and remote cause and to bring about at a distant period or in another world the relative effect."

Hindu Law consists of positive law intermixed with ceremonial rules and moral and religious injunctions. The position of the law that is enforced by the king may be called positive law. As Yajnavalkya declares, "if a person molested by others in a way which contravenes the *Smriti* or established usage complains to the king, that gives rise to a topic for judicial proceeding." (*Yajnavalkya,* II. 5). The part of Hindu Law which was positive had thus three characteristic elements:—(1) transgression of law as laid down in the *Smritis* or established usage; (2) injury to someone other than the transgressor; and (3) intervention of the king in his judicial capacity. (The king was the protector of the people and dispenser of justice and his intervention *converted* religious or customary law into positive law). The duty of enforcing law is cast upon the king from above so that the infliction of punishment is itself regarded as a *dharma* as indicated in the well-known text of Manu, "Penalty keeps the people under control, penalty protects them, penalty remains awake when people are asleep, so the wise have recognised punishment itself as a form of *dharma.*" (Manu—VII, 18).

Aristotle divides law into universal and special: "Right and wrong have been defined by reference to two kinds of law..... special law is that which is established by each people for itself the universal law is that which is conformable merely to Nature." To Demosthenes "every law was a gift of God and a decision of sages."

According to Cicero, there is, indeed, a true law, right reason agreeing with Nature diffused among all men, unchanging, everlasting. Justinian, the Royal Jurist, divided law into natural law and particular law which "each state has established for itself;" while natural law being established by Divine Providence remains for ever settled and immutable, the particular law is often changed either by legislation or by the tacit consent of the people." (Institutes I, 1).

According to St. Thomas Acquinas, the representative mediaeval theologian, God inclines men to good by fostering

knowledge through law and by strengthening their will by his mercy and the function of positive law was to carry out in detail the principles of natural law. The *lex naturalis* to him was the participation of mankind in the *lex aeterna.*

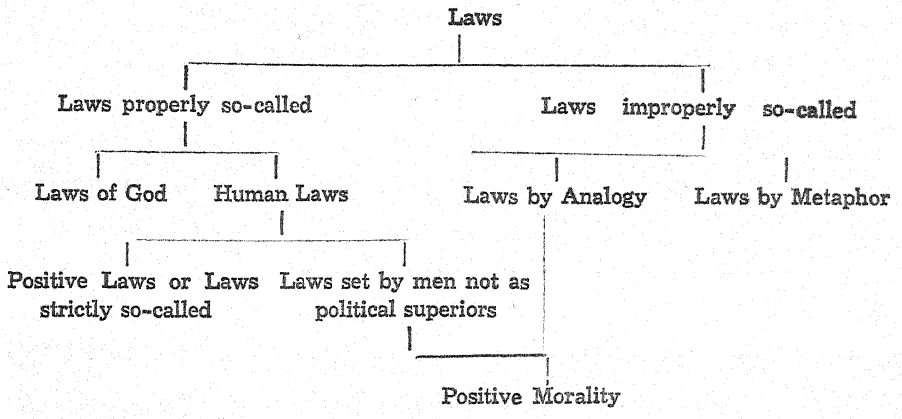
Bishop Hooker defines the law of reason or human nature as that "which men by discourse of natural reason have rightly found out themselves to be all for ever bound into in their actions."

Hobbes' philosophy of law reflects his personal view of life. His deep distrust of human nature is increased by a keen observation of human frailties and susceptibilities. Law, according to Hobbes, is to every man that which the commonwealth has commanded him.

Blackstone meant by law a rule of conduct prescribed by "the *supreme power* in the State."

Bentham, while developing the principle of Utility, has laid down that when an action or in particular a measure of Government is supposed by a man "to be conformable to the principle of Utility, it may be convenient....to imagine a kind of law or dictate of Utility." (*Principles of Morals and Legislation,* p. 3).

The doctrines of Bentham were developed by John Stuart Mill, but it was left to John Austin, the founder of the English Analytical School of Jurisprudence, to classify and define in a terse and scientific manner different legal concepts. According to him it was "a rule laid down for the guidance of an intelligent being by an intelligent being having *power* over him. Laws are thus species of commands, that is, they are general commands." By general he means "a command laying down a rule of conduct." By command he means "an intimation that something is to be done or not done, coupled with an intimation that disobedience will render the disobedient party liable to some pain." The classification suggested by Austin may here be illustrated by a table.



In Hegel, as in Kant, government and law find their justification not in any external grounds but because they are "the absolute demands of the practical Reason. The source of law is the will and the will is free."

Metaphysical deductions are pertinent only on their formal side. The content must be derived from experience and history. (Berolzheimer, *World's Legal Philosophies,* 1924, p. 212). Savigny made a thorough study of the origin and development of positive law. In primitive conditions civil rights appear only "as one of several expressions and activities of a people which are really one and become separate only in our study thereof." Law, like language, stands in organic connection with the nature or character of a people and evolves with the people. "Throughout it is the result of inner, silently working forces, not of the arbitrary will of a law-giver."

Yet another approach to the conception of law is that of the moralists. Professor Krabbe asserts that the creative sources of law is in the conviction of the people as to the rightness of the principles of conduct which law prescribes. "Not the will of an imaginary sovereign but legal convictions of the people lend binding force to positive law."

Under the theory of Communism there are no such things as abstract rights or absolute justice; there are only those standards of right, "those conceptions of justice which reflect and justify a particular phase of economic development." (Joad:

Guide to the Philosophy of Morals and Politics, pp. 671-2). The legal system reflects its fundamental economic structure.

The Pluralist revolt against the Austinian theory is represented in England by Prof. Harold Laski particularly. "Law.... has the authority of its substance and not the authority of the legal organ that is its source of origin" (*Grammar of Politics*, p. 250). It must attempt, in Miss Follet's happy phrase, "the reciprocal fitting of needs one to the other." To them it reflects the multiplicity of forces operating in a society at a particular period.

Among modern text-book writers, their definitions of law may be grouped as those with reference to the formal source those with reference to the material source or content and those with reference to its enforcement.

Professor Holland defines law as a general rule of external human action enforced by a sovereign political authority.

Among those who define law with reference to its content may be mentioned Carter, Duguit, Krabbe and Laski.

Dicey, Gray and Salmond belong to the third group. According to Gray, "the law of the state or of any organised body of men is composed of the rules which the courts, that is, the judicial organs of that body, lay down for the determination of legal rights and duties." Sir John Salmond includes in it "the body of principles recognised and applied by the state in the administration of justice....The law consists of the rules recognised and acted upon by the Courts of justice." Mr. Parker has elucidated Salmond's idea by defining it completely as "the principles enforced by the State through judicial authorities by physical force in pursuit of justice whether attained or not." (Salmond, *On Jurisprudence*, 9th Edition, p. 62).

Valuable as have been the different modes of approach through the ages, it is clear that they have varied to satisfy the proclivity of the particular thinker. Neither the formal source of law, nor its material content alone will really convert a general rule of human action into law. While definiteness and terseness have been achieved by the Austinians, they have neglected all

advertence to the content and the purpose of law. Moreover the Austinian theory has ceased to square with the facts of modern complex society. "The first call of a theory of law is that it should fit the facts" (Justice Holmes).

On the other side, the critics of Austin have introduced an element of *relativity* in jural concepts in that law suffers at their hands from want of a definite norm or standard which would demarcate it from other rules of action.

The province of law, when finally reduced, is the establishment of rules for the regulation of human conduct amidst the diversity of inclinations and desires so as to reconcile and harmonise the wishes of the individual with the interest of the community in which ultimately the interest of the individual is also involved.

Law may be defined as an obligatory course of human conduct enforced by the properly constituted authority in the State, calculated to satisfy the social wants of the community.

The simplicity of governmental forms and legal concepts of the Victorian era having become a thing of the past, any definition of law has to address itself to the complex structure of modern society, and as such suffers from length.

THE HINDU SYSTEM OF GOVERNMENT

By

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Those who are ignorant of the historical development of political institutions in India which go back to the fourth millennium B.C. often speak of the polity of Greece and Rome as the most developed in the ancient days. Those who know the leading characteristics of the Hindu Government will realise that the ancient Indian polity was like the English polity of to-day both complex and unique. What a writer speaks of the present day English polity holds true of Indian polity: "Many relics of past ages survive in Britain long after they have lost their original significance and been overlaid by modern arrangements."[1] The following pages will bear out this and show that the Indian system of government was a democracy, pure and simple. It was not, like the modern democracies, surcharged with the atmosphere of parties and party politics, depending on and deciding everything on the political vote. There was neither party nor any majority rule. It was, on the other hand, a healthy system of democracy in which the welfare and rule of the people were shared by the king who was at the helm of the State. He was not a mere figure-head nor was he an autocrat who overrode the other limbs of the State. The State was an organism in which the king felt that without the co-operation of the other limbs[2] of the State, he could neither reign nor rule. He was a symbol and embodiment of the unity of the nation. The political unity of India is best expressed by the term Chakravartikshetram which extended from Cape Comorin to the Himalayas. The king had an alert eye on the proper func-

1. *The British System of Government* by W. A. Robson (Longmans). I have followed the scheme of this booklet in this paper.
2. These are the Ministry, Territory, Fort, Army, Treasury and Ally.

tioning of the government and at the same time discharged many a social and ceremonial function.

Another peculiarity of the Indian constitution was that its laws were not what we may call man-made. There was no legislature to make laws, or amend them; for the laws were already there. They were sacred, and no human agent, however exalted in intellect and vision, could make laws. Law-making depends to-day unfortunately on the whims and caprices of the party in power. But the Upanishadic conception of the Law was that Law was the king of kings. The king should obey the fundamental principles embodied in the Dharmasastras and Arthasastras, and carry on the administration smoothly. Any deviation from this was looked upon as adharmic or unconstitutional. Thus what has been glibly said that the Indian king was an autocrat through the ages has no basis in fact. For the king had a check from above, i.e., the law, and a check from below i.e., the ministry and assemblies. So the king could not act independently and always sought the advice of the ministry in the discharge of administration, and of the judges in the discharge of justice. As the custodian of the interests of the nation, he was held in high esteem and even hedged with divinity. Cases are rare where the king abused his powers or status. He was a father to his people, not taking the paternal attitude as is wrongly understood to-day, but really being solicitous to the welfare of the subjects. Kings in Hindu India identified their interests with those of the people. There is a highly illuminating statement in the Arthasastra, the full implications of which, I venture to think, have not been realised in any State in the modern world. "In the happiness of his people lies the king's happiness; in their welfare his welfare; attending to his personal welfare is no welfare but attending to the welfare of his subjects is his welfare."[3] Like the king of Great Britain, the Hindu king conducted foreign affairs by making peace and war and by appointing and receiving ambassadors. The sacredness of the person of the ambassador was zealously guarded and respected.

3. Bk. I, sec. 19.

Yet another concept of the Hindu kingship was that by means of healthy restraints, the monarch was often made to feel that he had to respect public opinion and never go contrary to it, under pain of banishment from the realm. The one classic example is that of Sita's banishment by Rama, the king of Ayodhya, when he heard that even an irresponsible public entertained wrong views about the character of the unsullied Sita. If we take a large view of the status and character of the Hindu monarch, we find that he never asserted his rights but had always an eye on his duties. He took punctilious care to run the administration on *dharmic* or constitutional lines and took special interest to see that he never swerved from them. Duties first, duties next and duties ever were the motto that guided the Crown in the discharge of public and private functions. This high ideal was realised with complete success by the enforcement of *svadharma* by the State. Each person in his place was the underlying principle of Hindu Dharma. This had farflung results. It avoided unhealthy competition and rivalry. It added to the dignity and security of family life. It did not give rise to communal jealousies and hatred. It ensured a smooth sailing of all communities. This explains the total absence of civil wars which have disfigured the history of European and American countries. The concept of *svadharma* and the organisation of peoples into occupational and functional groups which smacked a pluralistic system of government had a telling effect on the country. This may be illustrated thus.

The Kshatriyas who represented the military group of the Hindu society felt it their *svadharma* to fight for the sake of the Crown, God and country. Ancient Hindu political thinkers who realised that war was a necessary evil insisted on the Kshatriya dharma to fight to the finish and never retreat from the field of battle. There was invariably fair fighting. The belligerents previously fixed up the field of battle, often away from the city and village, so that the normal life of the people at large would not be in the least jeopardised. In Hindu wars there was no danger of the loss of life of the civil population. The urbans performed their duties, war or no war. Non-combatants were not

attacked by the enemy. The economic prosperity of the land was not in jeopardy. The king and his army alone were engaged in fighting. And the army was not of indiscriminate conscription. As far as possible other communities were deemed ineligible to be soldiers. This simple device ensured not the disintegration and dislocation which face our modern wars but normal economic and social occupations of all the people.

The Hindu State was of a pluralistic form of government in which special emphasis was laid on individual freedom, with a clear definition of the social relations between man and man. It was realised by a concrete method of social and functional groups, which had the avowed object of co-ordinating with the State, forming as it were so many auxiliaries. They were purely voluntary organisations which did not develop rival tendencies such as trade unions under the modern pluralistic system. In Hindu pluralism the State enjoyed sovereign rights. It was well realised that if the State was not stable and permanent, there would be no orderly social life. The great merit of the Hindu group organisation lay in the fact that it was a voluntary organisation. It was not inspired either by an outside agency or by the State. What happened was that members of one profession or occupation joined together in an organisation and framed their own rules and regulations and acted up to its best interests. Co-operation was the keynote of this organisation. It was not a question of an individual differing from others or standing apart, but of contributing his quota to the common weal. The groups cultivated a sense of collective mental life. The individual was animated more by a keen perception of duty than of rights, whether he be a peasant or king. In fact the individual was the true basis of the State in Hindu India.

With all our progress, there has been a breakdown of civilisations. We are still experimenting with political institutions. Democracy has not been properly defined. People defend it as an idea, an aspiration. Ancient India solved it by providing a sound basis for applied democracy. This basis was found in *svadharma*, the Religion of the Self. And every religious man

in this sense was a democrat at heart. We to-day speak of universal brotherhood but invariably think in terms of a nation. Even within the nation there are so much party strife and communal feuds leading to intolerance and mutual suspicion. So long as the ballot box democracy persists, democracy must be in danger. There is no hope for the humanity. It only leads to rancour and jealousy. Hindu India's appeal was not to a party or even a nation. It was to the whole world (*lokahitam dharmam*). Here comes the much condemned social organisation of the Hindu caste system. Whatever be the opinion of the English educated Indian who has developed the material bent of mind as different from the spiritual, it is impossible to controvert the fact that the caste system in its true sense represented true democracy. Here was achieved the subordination of the individual to his or her group, the group to the nation and the nation to the world. The service of the individual is linked to the service of the nation and that of the nation to the world at large. To-day the real ground for all troubles is economic. In countries where there is no caste system as such, competition and struggle for existence loom large, and spoil the integrating factors of good social life, sometimes tending to the disintegration of family life to which sanctity has always been attached. The caste system and its counterpart the joint family life led to community life and thought, maintained peace, solved the begger problem and protected the unfit. What is democracy worth if it would not serve these purposes?

The Indian system of administration was parliamentary in character, though it had not all the essentials of the modern parliament which is a representation of parties by means of election. There were two assemblies of a representative character. These were the Paura and Janapada, corporate bodies representing the capital city and the country parts respectively. Both the assemblies were summoned and consulted on all important matters affecting the policy of the State. In effecting changes in the constitution or in promulgating new ordinances the king first obtained the approval of these assemblies and placed them

before his Council. In the same way if there was a difference between the king and the Council the king placed the matter before the Assembly and got its approval. Never did he take action on his own initiative. He dared not go against public opinion.

One important limb of the central organisation was the Cabinet which met in a place where absolute secrecy was assured. It went by the name of Mantriparishad. The ministers were consulted individually and jointly. Unanimous decision was always aimed at. The Paura-janapada was a joint popular assembly which demanded the redress of grievances. Questions affecting the policy of the State were discussed, freely criticised and finally adopted. This with the Cabinet was a constant check on the king whenever he erred either by negligence or by arbitrariness. But the assembly differed fundamentally from the modern parliament in one respect, viz., legislation. Ancient India had no legislative assembly, for law was already there and was accepted by all castes and groups. In fact every group had its own conventions which were scrupulously observed. The cabinet wielded enormous powers and exercised potential supervision over every department of administration. Both foreign policy and home policy were in its hands. It was in touch with all the executive departments which were normally eighteen. On these departments consisting of many public servants depended the execution of government policy. Only persons with integrity and efficiency which were tested beforehand were appointed to the services.

If we turn to the working of local Government we find that the relations between the central machinery of government and the local government were one of co-ordination and co-operation. The different groups and voluntary associations strengthened the hands of the central government while they proved invaluable training ground in the methods of self-government. The local authorities in the towns and country parts were all democratic. The village or a grama formed the unit of administration. The other divisions were groups of ten villages, twenty villages,

one hundred villages, and one thousand villages. Every village had its own body of officials, who were responsible to the State and to the village assembly. These offices were generally hereditary. Their chief duty was collection of revenue due to the central government and also the guarding of the village from robbers and other dangers. The village assembly was divided into a number of committees, consisting of the elders of the village or of the neighbourhood whose decisions were final with regard to disputed boundaries, encroachments, roads, tanks, temples and charitable institutions. It is the principle of common will for common good that characterised the working of these various institutions. These furthered the community interests; and the central government which was itself raised on the bedrock of local institutions in India exercised its control by supervision and guidance. There was no direct attempt on the part of the central administration to interfere in matters local. Unless we realise the value of the local institutions and give absolute autonomy to them, true democracy will be a sham and a shadow. Local institutions thus consisted of political groups and communal groups. The principle of association governed the bonds of a caste or castes. The artisans, weavers, carpenters and potters rendered service to the well-being of the community and supplied the village with all its primary and secondary needs. In India, as I have said elsewhere, profession and caste system have been inseparably linked together, and this went a long way to avoid party feelings. Absence of conflict of labour and capital, and that of cut-throat competition tended to promote peace and goodwill among the community at large. There was again the federation of all sectional or communal assemblies and this was known as the Puga. The Puga was a territorial group based on an educated and responsible citizenship.

What is applicable to a village was applicable to the administration of a city. There are still some educated Indians who think that municipal life was largely a creation of the British Government in India. While one is prepared to agree that municipal life was enriched and widened as a result of the British rule, one cannot forget the fact that highly advanced city life was found in

India in the lost cities of Mohenjo Daro and Harappa, Ayodhya, Pataliputra, Puhar and Kanchi. Every town was built on a plan and a method. There was an excellent system of drainage. There were broad roads and streets. Abundant care was bestowed on the public health of the citizens. Tolls and taxes which were collected were spent on the city's needs. There was a census officer and ample provision was made for visitors and aliens. There were rest houses where these guests might reside. Precautions were taken against famine, flood and fire. Need it be told that India had realised municipal life more than 5000 years before and continued to maintain this tradition down to the present day. Judged from the variety and complexity of services rendered by local authorities to the State, one cannot but conclude that local authorities shared heavy responsibilities with the central government and were treated as partners if not equals, all tending to the common good and common welfare.

Thus all the essentials of democracy have been developed in India through the ages. Centuries, nay millenniums, of evolution of political institutions have kept alive the spirit of political democracy in India. Under this the liberty of the citizen was ensured and the freedom and the personality of the individual were respected. The theory that has been suggested in certain quarters that political parties in India may create a sense of common citizenship cannot be accepted. All our communal troubles, unheard of down the centuries but figuring prominently during the last quarter of a century, are due to the unhealthy propaganda of the political parties. Indian history has not known the outbreak of a class war at any period of its long life but today people talk of two nations in India and the outbreak of civil war sooner or later. Many assumptions of modern democracies are only assumptions and cannot be treated as hard facts. For example social and economic equality is supposed to be an essential element of a democratic state. This is only an ideal. This is not realised even in a big democratic country like Great Britain. So long as human nature is what it is, this ideal cannot be reached. It is something like an effort to prevent recurrence of wars. In any society there would be a privileged class as against

the middle and lower classes. We can preach against inequalities of wealth and birth but we cannot practise it. An endeavour to put it in practice is to bring chaos and disorder into the society. We have then to speak in terms of a new social order.

The traditional conception of Hindu freedom consists like the British in the absence of oppression. If the inward spirit of democracy aims at the 'basic minimum of economic welfare' of all the individuals in the State then the traditional system of Indian government has been rooted in democracy. Hindu institutions, social and political, aimed at one thing, viz., to house, clothe and feed all members of the family, whether fit or unfit, employed or unemployed. This explains to a large extent the success of Indian democracy and the failure of modern democracies. The nationalist Indian still lives true to his traditional ideals with a determination and tenacity which could be at times bent but which could never be broken.

SOCIALISM UNDER FIRE

By

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Revolutionary Socialism will fail but socialisation will succeed. Communism will vanish but communitism will live and grow. Such is the thought that strikes me after reading socialistic and communistic literature and studying the conditions extant in Russia. The principle "from each according to his ability, to each according to his need" embodies a great and vital truth, though it may not be immediately realised. But the extreme principles and experiments of Russia are failing and will fully fail, because they will get shattered upon the rock of basic and unalterable human nature. All the same, the capitalistic order as it is to-day will not stand either. Probably a via media will be found by humanity. Will Durant says well in his arresting work on *The Tragedy of Russia* "Her Communism will pass away, being superior to human capacity; even her Socialism will pass away, if it means State ownership and operation of the major means of production. But in so far as Russia keeps, out of the wreckage of theory, government ownership of raw materials and transport, and governmental control of credit and foreign trade, these will have, despite poverty, despotism and suffering of every kind, a social order which will represent a wholesome union of individualism and socialism, a compromise which one nation after another will accept".

The most fundamental fallacy in the communistic theory is in its theory of the individual. It is as wrong a view to set the brawn-worker above the brain-worker, just as it is wrong to set the brain-worker above the brawn-worker. It is wrong to preach class-war. It is as wrong to set the proletariat against the bourgeoisie as it was wrong to set the bourgeoisie against the intelligentsia. The communistic movement was meant to be a

movement of freedom. It has, however, only brought in a greater slavery. Russia is to-day under a deadly and dreaded dictatorship, which is even more complete and more destructive of liberty and freedom than Nazism or Fascism. Stalin rules the secret police and the army, who in their turn rule Russia to-day. Every member of the Communist party surrenders all individuality and becomes a part of a machine. The Communist morality is merely a gospel of class war. Lenin said: "We repudiate all morality which takes its stand above all humanity and above the classes.... We proclaim that our morality is entirely subordinated to the interests of the proletarian class war .... Communist morality is what serves this struggle. We do not believe in any eternal morality, and we are exposing the fraud of that old fable."

This is not all. Not only has individuality gone and class-war come. The workers are compelled to work willy-nilly and work in despondency and listlessness and for low wages. This does not mean that amenities are not provided for them. The worker gets a week of vacation with pay every year. There is also a scheme of unemployment insurance and old age pensions. But all the same the trail of the serpent of tyranny is over it all. Just as Milton says that "the New Presbyter is but the old Priest writ large," the New Sovietism is but the old Czarism writ large. The herding and regimentation of the people in Russia is worse than it was before or has been anywhere else in the world.

Is such suppression of the human personality a desirable aim and end of life? That is the question of questions. Humanity has often swung like a pendulam between individualism and collectivism. The nineteenth century began with the revolt of individualism against class-privilege. After achieving such an emancipation, there was a revolt against rampart individualism. The mainspring of each of these movements was an affirmation of the real human personality. As T. H. Green says the search was for "the power on the part of the citizens as a body to make the most and best of themselves." He affirmed the essential unity of individuals and the State and pointed out that

if individuals find their expression in the State, it is they who form the State into an entity. The full development of the faculties of each person can come only through his attunement to the Society and the State, but these must grant him the fullest legitimate freedom of self-realisation. The real function of the State is to remove the hindrances to the good life. The State is really a psychic entity. It lives in the minds of the individuals. We must not allow ourselves to be confused by any metaphors from biology and mechanics in regard to it. In the same way if we try to separate the individual from social nexus, we shall arrive at a mere abstraction. We must not succumb to a State mysticism or a personality mysticism. A State is an association of free personalities for removing all hindrances to the good life and for enjoying the good life.

If we evaluate revolutionary Socialism from this point of view, we can easily realise its inherent fallacy. The Marxian concepts of revolution and class war and his theory of value are based on fundamental misconceptions. The ideas of family life and property and the desire for the free self-expression of personality are basic aspects of human nature and no political or economic theory can charm them away. Any attempt to suppress or destroy them will result in present or future failure and lead to an explosion.

It is therefore clear that we must not succumb to mere slogans such as liberty or regimentation. Such acts by the State as secure safety and justice and comfort really contribute to our real freedom, though they might appear to be restrictive of freedom. It has been aptly said: "The State may do *anything* that make for the good life of its citizens, and nothing else; and the citizens may claim anything that makes for the same good life, and nothing else—always bearing in mind that the good life is a common good, the well-being at once of the individual citizen and of the State." Both the individual and the State are but the means to the Absolute Good. Neither should be used as a means to the other.

There is another important aspect. The State is but one of the many social institutions. It is "a Society of Societies." It

is only a *primus inter pares*. Each institution is supreme in its own sphere. The family, the trade union, etc., are all means of the good life. The State can and must see that none of them overstep their limits or clash with the others. But it must not try to interfere with their own free self-expression within their own realms. The State must co-ordinate them all, but must not subordinate any of them to any or all of the others, or any or all of them to itself. Interferences with freedom should happen only to avoid greater evils. There must be a harmony of private rights and social duties.

Thus it is wrong to speak as Herbert Spencer did, "man *versus* the State" and claim unrestricted individual liberty. It is equally wrong to talk of "The State *versus* man" as is done by Nazism and Fascism on the one hand and Communism on the other hand, though in diverse ways, and to claim a new Divine Right of the State to control and even suppress the human personality. In the same way it is not right to lift the doctrine of *laissez-faire* to the rank of an absolute rule of morality. Nor is it right to urge that the State must be the *guardian* of the perpetual infant Man. The State does not exist merely to secure the free play of competition. Nor should it suppress the free action of the free personality. We must not shout the slogan "civilisation moves from status to contract" as if there is anything diabolical in status or anything divine in contract. The State must fulfil itself by trying to secure the good life for all its members, and not only for some individuals or some groups.

The Socialistic trend in English political and economic thought began when the Industrial Revolution had placed England in the forefront of the nations as the richest country in the world and Capitalism became an octopus and the theory of *laissez-faire* was raised to the rank of a law of Nature. Carlyle thundered against Political Economy as "the dismal science," and Ruskin pleaded for interpretation of the terms 'wealth' and 'value' in their proper meanings 'welfare' and 'vitality' and said: "There is no wealth but life—life including all its powers of love, of joy, and of admiration. That country is the richest

which nourishes the greatest number of noble and happy human beings." This passionate plea for a 'humanist' interpretation of the processes of production, consumption and distribution was not confined to prophets and saints and men of literature, but influenced the professional politician and economist as well. No less a person than J. S. Mill stated in his *Autobiography* (1871): "The social problem of the future is considered to be how to write the greatest individual liberty of action, with a common ownership in the raw material of the globe, and an equal participation of all in the benefits of combined labour." He broke away from Benthanism with its economic doctrines and expressly adopted the title Socialist himself. Modern Economics has definitely swung to a welfare basis of values and seeks to control unregulated Capitalism and effect a reconciliation between Individualism and Socialism. J. A. Hobson aptly calls this modern trend as "an economic journey towards Humanism." Political Democracy cannot be stable without economic democracy and both topple down if they are not inspired by a true and planned Humanism.

Marx's *Das Capital* was written in England, but it did not have much influence on English political thought or practice. But all the same its powerful logic and its equally powerful array of facts and figures have led the English people away from capitalistic megalomania in the direction of collectivism. The national mind has rebelled against the land monopoly and the poverty of the masses. G. Bernard Shaw says: "The modern form of private property is simply a legal claim to take a share of the produce of the national industry year by year without working for it." Modern thought all over the world is for a juster distribution of the national income. There is a passion for substituting for individual enterprise the organised collective action of the State or the extension of the Co-operative movement. Mankind, after overthrowing the tyranny of kings, is certainly not going to submit tamely to the tyranny of capitalists. Socialism in England aims at the fourfold path *viz.*, (1) the gradual extension of collective ownership and management; (2) the gradual increase of collective supervision and control over the capital left

in private hands; (3) the gradual removal of existing gross inequalities by the taxation of rent and interest; and (4) the provision of the "national minimum for all classes—such as the children, the aged, the infirm, and the unemployed—that cannot obtain it for themselves.'

Ramsay MacDonald observed: "The Socialist movement has suffered, as all great idealist and utopian movements have suffered, by having attached to them proposals which do not really belong to them, but which happened to be born and cradled with them.....Socialism is the creed of those who, recognising that the community exists for the improvement of the individual and for the maintenance of liberty, and that the control of the economic circumstances of life means the control of life itself, seek to build up a social organisation which will include in its activities the management of those economic instruments, such as land and industrial capital that cannot be left safely in the hands of individuals. This is Socialism." In fact Socialism seeks to replace competition by co-operation. The nineteenth century was the century of individualism, but the twentieth century is the century of collectivism. The nineteenth century passed from the tyranny of feudalism into the anarchy of *laissez-faire*. The twentieth century began to replace such anarchy by the self-government of all by all for all. Capitalism led to the increasing concentration of wealth in the hands of a few individuals and increased the area of and intensity of poverty. The revolt against it led to Socialism.

But there is no inevitable connection between Socialism and class-war or between Socialism and the utter negation of private property or between Socialism and Revolution. Constructive and evolutionary Socialism has higher values and more lasting beneficial results than destructive and revolutionary Socialism. It can achieve much by Parliamentarianism than revolutionary Socialism has achieved or can achieve by convulsions and explosions.

The future belongs to evolutionary and constructive Socialism and it alone can secure the welfare of humanity. It does not

seek to abolish private property because human personality expresses itself through such ownership. But it realises that capitalism is a foe to private property because it negates it for most persons. To quote again Ramsay MacDonald, "The socialisation of certain forms of property is a condition necessary for the diffusion of property. The nationalisation of industrial capital and of the land is therefore not the first of the abolitions of all private property, but is exactly the opposite". Nor is Socialism the foe of liberty, because under it alone will real liberty for all be secured. Nor can real and lasting political liberty be secured for all without economic liberty. The freedom of the State will be a mere farce if wage-slavery flourishes in a community.

In short whether we realise it or not, it is the divine consciousness which is the core of our human consciousness that impels us to establish the Kingdom of God upon the earth and to make the State a *civitas dei.* The State is the means—the greatest of our Sâdhanas—to self-realisation. Liberty is a basic urge, and there can be no liberty without rights. But liberty is not the license of the evil will but the self-controlled freedom of the good will. Liberty is not mere absence of restraint, just as Beauty is not mere absence of ugliness. Every State must recognise and enforce natural rights. It must use force where it is proper, *i.e.,* to secure freedom. This may sound paradoxical but it is true. The force is only the common will of all, because " will, not force, is the basis of the State." Thus the State is not a Leviathan but only our eldest brother guiding the other brothers under the eye of the Eternal Father.

Thus the correct theory of the State is that its internal right and duty are to preserve individual liberty consistently with the good life of all, and that its external right is limited by the equal right of all the other free States. It must not become a tyrant at home or a brute abroad. Thus there must come a time when it will harmonise individualism and collectivism at home and when it will help to bring into existence unarmed free nations controlled by an armed league of all free nations. Only in this

way can there emerge a harmony of the Individual and the Nation as well as a harmony of the Nation and of Humanity. War is not only futility or brutality but it is also an attempted suicide of our real self, resulting in a lowering of the tone of the real self.

Thus the future belongs to reformers and not to revolutionaries, to evolutionary Socialism and not to rampart individualism or regimented communism. It does not belong to direct action by one group against another but to the joint action of all for the good of all. It does not belong to the elimination of the institutions of the family and of group organisations and of private property but to their sublimation through the instrumentality of the State so as to secure the good life for all. In short the real goal of political life is neither Communalism nor Communism but Communitism.

A VOICE IN THE WILDERNESS OF PRUSSIA

By

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In the efforts to reconstruct Germany after the War on the lines of freedom and tolerance that will be made after the victory of England and her allies, the surest hope of success lies in bringing out the better self of Germany to assert and realize itself. That this higher mind and soul of Germany are now submerged by its lower instincts and ambitions is a fact which is being brought home to us in brutal fashion every month of this war. But this overwhelming experience must not blind us to that other fact that there was a better self of Germany. Success and terrible tyranny such as puts into the shade all the tyrannies known to history, even the tyrannies of barbarism, for it has all the weapons of science and art at its disposal, have suppressed this better self of Germany. But that it exists, in spite of all appearances, is proved by the fact that now and then we hear this self finding expression in the writings of one or other German leader or teacher protesting against the fashionable political philosophy of Germany, especially at the time of the peak of its success. Walter Rauschnigg is one such voice in the time of the present German War. Friederich Wilhelm Förster, the educational philosopher was another such voice heard before and during the last German War of 1914-18. Constantin Frantz was the antagonist of the theory and practice of Bismarck during the Prussian Wars of 1860-1870. But there was still another German who before Prussianism became the creed of Germany stood out for a more genial and truer political philosophy and who if he had been listened to and followed, would have been the saviour of the political life of Germany. This was Johann von Radowitz.

Before we take up his ideas, we might start with a picture of the man. Here is a character-sketch made by Sybel, the historian of the German empire.

"Radowitz was a man of thoughtful mien, whose strongly-marked features always wore a serious expression. His manner was firm and deliberate; he never lost the control of his passions. He possessed vast stores of learning; and if it was true that in some departments his knowledge was that of a dilettante, it may be safely said that he was a savant in the fields of mathematics and history, theology and archaeology, and at the same time was skilled in the science and lore of genealogies and heraldic blazonry. He was a master of conversation as well as of oratory. In every instance he spoke only after thorough preparation, and then with the whole force of the mature idea, the polished form, and the tempered keenness, which soon made him one of the most celebrated speakers in the Cathedral of St. Paul, admired and courted by all parties. He was fond of remaining silent a long while, and leaving the hearers then to surmise from his following remarks the weight of argument and of thought that lay concealed beneath the unspoken words. He thus kept his audience in a constant state of eager expectancy. Accordingly, wherever he appeared, he made a great impression; but he did not easily gain the confidence of wide circles, because his very reserve and his enigmatical attitude did not clearly discover his character nor his aims."

The convincing claim of Radowitz to the attention of students of politics is that he was not merely a protestant against Prussian political philosophy but that he was a typical Prussian statesman. Born in 1797 at Blankenbourg and trained in the military school of Cassel, he served in the Westphalian artillery, and entering the service of the Elector of Hesse fought in the campaign of 1814 against France. He taught Mathematics in the school of cadets at Cassel and was found as Captain in 1823 on the Prussian General Staff. He became chief of the Prussian General Staff of Artillery in 1840. He rose to be Major-General in 1845 after having been Minister at the courts of Wur-

temburg, Darnstadt and Nassau when he became leader of the anti-revolutionary party which brought the German states to the *annus mirabilis* of revolution of 1848. He exercised great influence on the mind of Frederick William IV of Prussia. When the anti-revolutionary *coup* at Berlin took place he resigned from ministerial employ. Elected Deputy to the historic Diet of Frankfort, he sat on the Right benches and spoke up for the Federal Unification of Germany against the protagonists of Prussian Centralization as of Austrian Obstruction. The importance of Radowitz's claim to the attention of political students is that he was not a mere publicist and journalist like Constantin Frantz or an educational critic like Förster, the two greatest opponents of Prussianism known to German literature, but he was a soldier and statesman, whose political ideas were dictated to him not only by reading—he was a great reader of history—and by thought, but by the experience of actual government and public life. That is why, I suppose, his writings were included by Lord Acton in his famous list of The Hundred Best Books published about 40 years ago. It is how I came to be introduced to the writings of this great Prussian statesman and thinker which I have been reading during this time of another historic challenge to Prussianism. And it is the fruit of this reading that I am offering to the Carty Commemoration Volume.

Like Burke, Radowitz was an active statesman and therefore had neither the time nor the incentive to write *ex professo* a treatise on politics. It is from his occasional writings and speeches that his political ideas must be culled. The occasion which brought forth Radowitz's assertion of his political ideas was the historic attempt of the German people and rulers to bring about the Federal Union of Germany just a little before and a little after the year 1848. His writings and speeches were concerned mainly with the work of the National Assembly of Frankfort and the Prussian Parliament of Erfurt. The first of his political writings to appear in the one volume edition of 1852 (five volumes bound in one) is a report of the National Assembly of 1848. He starts it off with a statement of what we might call

the fundamental principles of his political philosophy. "Whoever", he says, "investigates the ways of the divine government of the world in the history of States among men must arrive at the view that there are two powers that are active in this history —one of which we may call Nature and the other Freedom." In other words in Politics we must build on things as they are but we must build towards the ends of Freedom. The land—its natural features, its physical build, its boundaries, the people, their character, their social organisation, their customs, all these determine the kind of free state that can be built. Nationality has been ever since the beginning of the Christian era one of the formative principles in the making of States. It flourished in the Church as well as in the State of the Middle Ages—without the slightest danger to the unity of Christendom. But from the 16th to the 18th century this principle had been thrust into the background by what Radowitz calls the Cabinet Politik of these centuries. In Germany additional causes were the religious disunion, the traditions of the Holy Roman Empire, the rivalry between Austria and Prussia. But what the kings and ministers of Germany had not been able to organize was kept alive by its poets and philosophers. The language and literature and philosophy of Germany kept the spirit of the German alive. But Germany is so full of variety not only in its political features, with independent sovereign states like Prussia, Bavaria, Saxony, but in the division of its peoples and their traditions and customs, that a mere mechanical, centralized unity is out of the question. The wisest party in the National Assembly according to Radowitz was that which kept in view not only the need for unity but would allow for the rich and manifold variety of German life and character and politics. He endorsed the saying of a great French thinker: "Variety without Unity is Disorder, Unity without Variety is Tyranny." It is upon this principle he would build the Federation of Germany—allowing the largest measure of autonomy to the constituent states and building a strong central government for the Federation. "For the fulfilment of the tasks of a united Germany" says Radowitz, "must its central government be capable of a uniform, enduring activity;

it must be able to develop a great comprehensive policy—external as well as internal—and must be able to use all the force and energy that may be required for the accomplishment of its tasks." That was why Radowitz argued for the selection of a hereditary head of the German Federation as the appointment of an elected head might involve the State and people in intrigue—foreign as well as domestic. The selection of the ruler of a great State for its hereditary head, was justified by Radowitz on the ground that such a head has no interest to increase his dynastic power at the expense of the Federation and will not find it an inconvenient duty to defend the constitutional rights of even the smallest of the constituent States and to preserve equality between them. A Federation that will ensure freedom and self-government as well as unity was his constitutional ideal for Germany. "Germany's history" he said in the course of a speech in the National Assembly on 19th June 1848 "displays unity as well as variety. Both are developed deep in our being. Both make us peculiarly what we are. It gives us our position among the peoples of Europe." Germany, he warned his hearers, could never become a centralized unitary state like France since Louis XIV. Any constitution that is to last in Germany must provide for the organization of these two principles of Unity and Variety. One set of institutions must organize and represent the interests of the whole and another the interests of the constituent parts. He pleaded for the defence of Germany being placed under a strong, central, unified leadership and discipline though he would leave to the constituent states their old armies. He was not in favour of a territorial militia as he felt that "armed men do not make an army". He would have all the military power of the German States incorporated in the Regular Army. But while pleading for centralized administration of the army he was federalist enough to allow provincial, recruiting, officering, divisions. For as he argued in a speech on 8th November 1848, "We do not wish to have atomized masses of men brought together in chosen State machines but we would want to bring organized groups into a common whole where no one is injured in his dearest possessions, but where everyone finds in union with all, what he deems to be dear and worthy."

Although Radowitz recognised the force of the principle of Nationality in the making of States he did not accept the modern heresy of Nationalism. The absurd theory of "One Nation, One State" which has played havoc with national as well as international peace, he held to be neither possible nor justifiable. Not only ethnological origins but geography and history, he held, determine the formation of States. By all means let the people of Germany form themselves into a single State, but they have no call to bring within the German State the German speaking peoples of other States. Austria-Hungary had as much right to exist as Germany. Nor should unified Germany extinguish the historic particularisms of the constituent States. Only on one condition—and here Radowitz seems to prophesy the coming of the Hitlerian State—could Germany become a unitary State. "When" he said in a speech in the Second Chamber of the Prussian Parliament on 25th August 1849 "the unitary Republic—he could not contemplate such a process occurring under the monarchical system—is raised on the ruins of the State and private life of Germany and maintains itself for a short time by means of Terrorism, it will collapse in a short time. Germany's true political life is that of a State of States". The omnipotence which some would claim for the Unitary Germany of this ideal can be realised only—and once more Radowitz prophesied the coming of Hitler—through republican Terrorism and Revolution.

While he was against the formation of a unitary, centralized Germany because freedom is impossible for Germany in such a State—as Hitler has proved to the hilt—Radowitz was all for the conversion of the old Staatenbund into a Bundestaat. The establishment of a strong, central authority, of control of the whole over the parts in matters that affected the whole and to the extent that such control shall be exercised directly and immediately over the peoples of the Bund, and not merely as far as such control shall be allowed by the governments of the several States of the Bund was essential to a federal State. And this central authority must not be a mere Fiction, a mere Delegation but one having its own right to exist; its own powers and

means of execution. A National Parliament representative in its two houses of the people and of the States respectively and a single unified executive are, according to Radowitz, the fundamental conditions of the life and activities of a Federal State.

But all was not plain sailing with Radowitz on the Federation of Germany. The two trying problems that confronted the constitution makers of Frankfort were the choice of a head for the Bundestaat and the position of Austria *vis-a-vis* a Federal Germany. Here Radowitz faced facts. He was not a Prussian but only a Prussian Minister. But he could not shut his eyes to the peculiar position of Prussia. It was the largest and strongest State in Germany. It had made the German respected in all Europe. It had been the spear-head of the German rising against the domination of Napoleon. Its government was efficient, progressive, tolerant. By the side of Prussia, Austria was not so thoroughly German. It had done little or nothing for the freedom of Germany. Its government, although its composition called for a federal system and spirit had bcome a centralized despotism little reeking of the autonomy of its constituent States. As a realist and as a student of history Radowitz would place Prussia at the head of the new Federal State. And in Frederick William IV, he had a man after his own heart. The Royal Patent in which the king of Prussia proclaimed his views of constitutional reform for Germany and published on 18th March 1848 at Berlin embodied the leading ideas of Radowitz. He would not however exclude Austria from all concern with Germany. He recognized the historic connection of Germany with Austria. While calling Prussia to be the head of the Federal State of Germany he would have a union of Austria and Germany in regard to the direction of international affairs in a kind of international Bund in which Austria would play the leading part. Another obstacle to the making of a new constitution for Germany was the historic position of the German Princes confronted by the demands of the popular and national movement. Radowitz believed that the solution lay in a reconciliation of the positions of the Princes with the need for

representative government. The Princes must take the people and their representatives into the business and bosom of government and the people must recognize the rights and prerogatives of princely sovereignty as tempered by Federation.

It is not merely as a Federalist that Radowitz deserves to be remembered in the history of political science. He was, as all Federalists must be, a champion of civil liberty. His views on this subject come out especially in his speeches on the relations between Church and State. He recognized the importance of this question when he said in a speech in the National assembly on 25th July 1848 "To regulate these relations (between Church and State) is one of the greatest subjects of our present consideration." The right of the Church to exist and to realize its ends through its organization has to be recognized on the principle that "every association has the right to profess its convictions and therefore it must be allowed to perform its duty to spread its beliefs by all permissible means." The autonomy of the Church in regard to the matters within its sphere must be allowed for "if man destroys the Church he lets it be swallowed up by the State". The modern relationship between Church and State, Radowitz recognizes, is made more difficult than it was in the Middle Ages or even in the 17th and 18th centuries by the claims to absolutism and the utter secularization of the Modern State. Even so, says Radowitz, there is no other solution of the problem than that the State should recognize "the independence of religious societies old and new, and to leave to them as to other corporations, the right to order their affairs. What every corporation, small and large, must have is the right to make its own laws, to manage its own direction and discipline, and it must be granted to all religious societies which cannot be denied these rights without the greatest injustice."[25] And as with the freedom of association so it is with the other freedoms—the freedom of the press, the freedom of meeting, the freedom of the individual. But like Burke, Radowitz was the champion of ordered liberty—liberty according to law, that is not merely man-made law.

I have called Radowitz a typical Prussian minister—because he came to Politics through the Army. But he was not typically Prussian either in his politics or in his culture. Born in south Germany he was Catholic in birth and in education and in outlook. His federalism, his respect for tradition, his love for restrained freedom he owed as much to his Catholic culture as to his sense of reality. For to be a Catholic is to eschew the absolute in Politics. More typically Prussian was the young member of the Frankfort Assembly dressed in a lieutenant's uniform who was the bitter opponent of Radowitz. It is the tragedy of Prussian as of German destiny that the centralizing, blood and iron policy of Bismarck should have triumphed over the federalism of Radowitz.

In the process of the education of Germany into sanity and freedom in politics—for that is necessary to the lasting peace of Europe and the world—the writings of such a true German as Radowitz must be made to play a dominant part. No greater service can be done to the German people, on the morrow of the victory over her armies, than for English Propaganda to publish relevant pieces of the writings and speeches of Radowitz and sow them broadcast in Germany.

A CRITICAL PHASE OF U.S.A. FEDERALISM

State and Section versus *Federation.*

By

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John Calhoun and Daniel Webster are the two names in American Constitutional History, most intensely associated with the movements respectively for asserting and denying States' Rights and presenting the most startling contrasts in their lives, characters and public acts. They represent, respectively, in the most marked antithesis, South and North, Secession and Union, Slavery and Freedom. They drew as contemporaries with their first breath "the vigorous air of the new democracy of the West alive with the spirit of nationality." Also, along with Henry Clay, they, in the well-chosen words of E. Elliot[1] "swept away the statesmen of the older generation, the leaders who had developed out of the revolutionary struggle."

Calhoun was elected to the Congress in 1811 and Webster entered it two years later. In the beginning, Calhoun advocated principles of a strongly nationalistic character; and curiously enough, Webster opposed him in this. In the course of years, their respective initial positions were reversed; but they continued to remain in bitter opposition to each other to the very end. During the eight years of Monroe's Administration (1817-25), Calhoun was the Secretary for War; and he was elected Vice-President, under both John Q. Adams (1825-29) and Andrew Jackson (1829-37). It was during these years of hard administrative work that Calhoun's ideas began to change and assume new forms. Calhoun tried his best to get relief through Andrew Jackson from what he considered an unendurable position for his be-

1. 'The Biographical Story of the Constitution.' (1909), p. 192.

loved State of South Carolina, after the passage of the so-called "Tariff of Abominations" in 1828. Andrew Jackson had indeed lowered the tariff duties in order to meet the opposition of the South to some extent, but emphatically reaffirmed the principle of protection. Then Calhoun became firmly convinced that the time had come for more active resistance on the part of his State and for a testing of the doctrine that had been put forward as to the nation's right. He resigned the Vice-Presidency of U.S.A., in protest against President Jackson's proclamation of December 1832, in which the latter stoutly declared his resolve to carry out the law in the teeth of every opposition. Jackson came to dislike Calhoun with even more violence than he disliked another great personage of that epoch, Chief Justice Marshall. He now entered the Senate and began his prolonged career of opposition in that forum, being destined to fight the losing battle of State Rights and slavery for the remainder of his life.

Calhoun is said to have looked exactly what he was: "the brilliant pessimistic leader of a doomed cause." Herbert Agar says that it was said of Daniel Webster "that no man was as great as Webster looked; if any man could be as tragic as Calhoun looked, it would be the man who foresaw the murder of everything he held good in the life of the country."

Calhoun belonged to the best section of the South Carolina aristocracy. He was educated in the Yale University, had early devoted himself to politics, had practically created the war with Britain of 1812, along with Henry Clay, his national and patriotic enthusiasm lasting until the twenties when he suddenly became aware of the permanent and intensifying economic and cultural antagonism between the North and the South. He at once abandoned all his convictions on nationalism and transferred his full allegiance and love to his own State which was a unit small enough to be known in detail and to be loved in detail. Calhoun built up a political philosophy by which the South could live on the basis that no half way measures could enable it to live. So he demanded, as the first postulate of his views, that the Federal Government should turn back to where it began in 1789 and

renounce its capitalist programme and abandon the policy of expansion of roads, canals and banks and national expenses as well as the protective tariff. In the next place, the tyranny of majority rule should be capable of being checked by a sectional referendum, and this might be made possible by the assertion of the doctrine of State Rights. In the third place, when the North began to undermine the doctrine of slavery on moral and material grounds, Calhoun developed the doctrine, put forth boldly and unapologetically, that slavery was a positive good, that all cultures worth the name have been based on some system of forced labour and the treatment of the Blacks by the Southerners was good, and even humane, in comparison with the unashamed and naked exploitation of their factory-hands by the Northerners. "Taking the offensive against the North, Calhoun insisted that the agrarian South, based on the slave-labour of an obviously inferior people, directed by an aristocracy of great landowners, and supported by a large group of planters with moderate holdings in land and men—that such a South offered the one promise for civilization in America and must be defended to the last against the bourgeois ideals and the tyrannous democracy of the North. He was trying to erect a barrier against the triumphant middle class; and before he died, he had won the allegiance of the South. He had given his section a coherent programme; it was for the next generation to fight for the privilege of adhering to it."

These bold and novel ideas Calhoun began to develop in the years following 1832. In 1842 he became the Secretary of State and boldly returned to the Democrats, reforming that party on the basis of States Rights and converting it into the champion "of his Southern slavery republic." The balance of the Democratic Party was now shifted to the South and the weight of the Southerners' strength shifted to that party; and before his death in 1850, Calhoun had won over to it his entire section; and the South thus became a united party with a three-fold policy; *viz;* the defence of the agrarian republic; the continuance of the South in the Union so long as it was not administered at the expense of that agrarian Republic and for the benefit of the business men of

the North; and lastly, the resolve to secede from the Union whenever the Federal Government should be captured and utilised by the bourgeois interests of the North. Calhoun's defence of slavery was at first not supported by many of the great Southerners, like Robert E. Lee and Stonewall Jackson, all of whom despised and disliked slavery, but were persuaded to recognise its justice in the name of a patriotism that was intense, though sectional. They would not have been "willing to consume themselves and the whole South for a system of which they disapproved."[2] But persuaded and convinced by Calhoun's conviction and enthusiasm, they fully believed in the culture of the South and fought "to save it from being transformed into the civilisation they despised." Their transformation on this issue and the conversion of the entire South to his own ideals and views formed primarily the achievement of Calhoun.

As part of his system of strengthening the South, Calhoun favoured the proposal for the annexation of Texas which had broken away from Mexico in 1835 and which had now come to be largely peopled by planters from the Southern States who had taken along with them their slaves and their system of cotton culture. The annexation of Texas, it was feared, might upset the balance of power between the North and the South. First, the Congress refused to entertain the application of Texas for admission into the Union, under the apprehension that the South would thereby gain a new agrarian province larger than the whole of France. When Calhoun negotiated with Texas for a treaty of annexation, the Senate refused its validation by a two-thirds majority. A joint resolution of both the Houses of Congress was then attempted and passed; and Texas was absorbed into the Union on the last day of office of President Tyler (3rd March 1840). Opposition was raised to the proposal on the ground that Slave States should not be permitted into the Union; and Calhoun retorted that the attempt to exclude a State on the ground of slavery would naturally lead to a dissolution of the Union.

2. Herbert Agar: The American Presidents (1933, p. 142).

Thus one more factor of complexity was added to the situation that made secession the inevitable sequel of the quarrel of Slavery and anti-Slavery as a moral issue and of the equivalent antagonism of capitalism and agrarianism. The unification of the South on this ideal became most complete on this issue; and Calhoun who always took advantage of this antagonism of cultures and ideologies, exploited it to the full. By and by, on the issues of California having declared her intention of becoming a free (i.e. non-Slave) State and of the absorption of New Mexico, Calhoun blocked the so-called Wilmot Proviso by which slavery was to be prohibited for ever from this new territory; and he advanced the extreme doctrine that Congress had no power to prohibit slavery in the Territories, on the ground that slaves were common law property and that it was the duty of the Congress to protect all categories of lawful property of American citizens. He now took his stand on the ground that the Constitution recognised the right of property in man and was bound to protect it in whatever part of the Union it might be found. The doctrine of 'squatter sovereignty, which had left it open to the inhabitants of a district to decide for or against slavery, —although it had been made to order with " a view to meet the special exigencies of the Slave Power—was denounced as no less unconstitutional than the Missouri Compromise and no less dangerous than the Wilmot Proviso." It was not for the people of a Territory to say which property or what category of it ought to be protected or left without protection and Congress should give effect to the Constitution and protect over the whole Union all property without distinction, "whatever might be its nature, or in whatever part of the Union it might be placed—whether consisting of human or of other chattels, whether existing in the States or in the Territories, in the Slave States or in the Free."[3] This doctrine was later on to be accepted and endorsed by the Supreme Court; and it would have, if stretched to its logical application, rendered null and void the famous Missouri

3. J. E. Cairnes: "The Slave Power: Its Characters, Career and Probable Designs"—1863, p. 248.

Compromise of 1820 as a result of which slavery had been prohibited in territories north of 36° 30' latitude.

Calhoun wished on this occasion to force the issue to a decisive head; *viz.*, either Secession or a Constitutional Amendment creating a Dual Executive, containing one President elected by the North and one by the South, each having a legislative veto. Calhoun knew that this was the last chance for saving the South, as the North was already growing stronger, and more wealthy and industrialised and would, in a very short time, with the support of the developing North-West, get control of the Federal Government, and "reinstate all the Hamiltonian policies," and root out, what was more important, Southern agriculture and Southern life.

Unfortunately for Calhoun, the situation was solved by the compromise of Henry Clay admitting California as a free State and declaring that Territorial Government be organised in New Mexico and Utah, without any provision as to slavery or the absence of it, and thereby implying that the inhabitants could decide for themselves that question later on. Clay defended his scheme, in one of his greatest speeches, as the only method by which the union could be peacefully preserved and threatening the South that secession could only mean war. The equally great rejoinder to the speech was made by Calhoun in his last days. That speech insisted that the issue was one on which no compromise was possible, because either the South must be assured of a permanent equilibrium of power, so that "the Union could not be used as a means of oppression" or it must leave the Union.

The decisive speech on the question was made by Daniel Webster, whose first sentence was—"I speak to-day for the preservation of the Union." Carlyle's picture of Webster's "crag-like face; the dull black eyes under the precipice of brows, like dull anthracite furnances needing only to be blown; the mastiff mouth accurately close," with old age destroying none of its impressiveness and, while weakening the voice, only adding to

the strength of conviction is arresting; he pleaded hard for "conciliation in the name of patriotism." The compromise measures were accepted in the course of the next few months. But Calhoun died; he had united his section, but he had failed to " force it into action at the decisive moment;" and when action came a decade later, it was too late; and the South struck out frantically, but ineffectually.

II

Daniel Webster, the great opponent of Calhoun, had grown up in the atmosphere of the first Federalist principles; and in him these principles continued to live, though the party which put them forth had died before he came into active political life. These principles found constant application and expansion at his hands and at those of his and Calhoun's great contemporary, the illustrious Chief Justice Marshall. Webster stood forth as the champion of the Nation as against the States; and his reputation as a constitutionalist and statesman was assured from the day on which the Supreme Court applied, in the Dartmouth College Case, the enforcement of the rights granted by charter to a private corporation which no State law should touch.[4] Next, Webster stood forth as the champion of the idea of national unity against the doctrine of Nullification when it was proclaimed by South Carolina and put forth, in his famous reply to Senator Hayne of that State, basing his stand upon the necessity of "preserving the Union in order to preserve Liberty," the great idea immortalised in the closing words of his peroration:—"Liberty and Union, now and for ever, one and inseparable."

As an orator Webster was unequalled. In argument he was invincible; and he was supported, above all, by the great mass of the people. He took his stand, indeed, on the proceedings of

4. This celebrated case is often cited as having established the inviolability of contracts under the Constitution; but it really decided that the charter was a contract for the security and disposition of property and not a grant of political power which might be rescinded at the pleasure of the State.

the Constitutional Convention, on the arguments of the Federalists and on the State Conventions, but, above all these, on the Constitution itself, to which he always bore a worshipful attitude and which he would interpret as it was at the time and by what it had come to mean and not by the meaning given to it in the past.

When President Jackson issued his famous proclamation, as a challenge to Nullification, on December 10, 1832, that rang out his resolve—"the Union, it must be preserved"—the crisis was precipitated. Calhoun had to resign the office of Vice-President, and seek election to the Senate, while, in the Senate, Webster and he began to lead the opposing forces forced into irruption by the aim of empowering the President with sufficient strength to carry into effect the laws which the ordinance of Nullification had dared to declare null and void. Calhoun and Hayne on the one side and Webster on the other were the principal knights in this great political tournament that was to last nearly two decades. Calhoun was "unequally compounded of logician and statesman." He gave to old doctrines new and dangerous twists, because he pushed them beyond their reasonable limits. Thus his basic doctrine of the ultimate sovereignty of the States was not new, but was grounded in History. He went back to what the Constitution meant in 1789 and declared that it was only a compact and was definitely so regarded by its framers. He claimed that his standpoint was supported by the implications of the Virginia and Kentucky Resolutions and by the action of the Hartford Convention; and he concluded that what the Constitution was in 1789 that it continued to be in 1832, particularly, since the few amendments that had been passed had, as he believed, but tended to support his view. To Calhoun "love of his country and of the Union was great, but it was for a Union which was dead." For him the Union aimed at by Webster "meant tyranny and tyranny meant rebellion and dissolution of the Union." If the Union was to be saved, it could only be done by reverting to its original form of compact.

The doctrine of Nullification had in fact preceded Calhoun's emergence as its champion, as it were, because the South had been feeling for some years that it had been compelled to pay for the maintenance of the manufacturing prosperity of the North. The doctrine of State Rights was developed by him into the great and leading principle of the political life of the Union. "The general government emanated from the people of the several States, forming distinct political communities and acting in their separate and sovereign capacity, and not from all the people forming one aggregate political community; that the Constitution of the United States is, in fact, a compact, to which each State is a party, in the character already described; that the several States or parties, have a right to judge of its infractions; and, in case of a deliberate, palpable, and dangerous exercise of power not delegated, have the right also, in the last resort (to use the language of the Virginia Resolutions), 'to interpose for arresting the progress of the evil, and for maintaining, within their respective limits, the authorities, rights and liberties appertaining to them."

Thus the logical conclusion to which State Rights led was that the Constitution was a compact, whose only result could be the view that the Federal Government was merely an agent of the original participating States which were parties to the compact. One of the parties, if it should hold that a law of the Federal Government was unconstitutional, might declare such law to be null and void. If such right of Nullification was recognised, there would be more willingness on the part of the majority in the Federal Government to agree to accommodation; and thus Nullification was claimed to be a constitutional right to be exercised for the preservation of the Union and only by its use could the members of the Union live together in peace; and it was held that after Nullification the next resort of the injured State was secession. The doctrine of Nullification, when carried to its logical length, would mean the defiance of the majority by a truculent minority; and as the rule of a numerical majority might be capable of great tyranny, Nullification was a right of the minority to protect itself. Calhoun put forward the idea of a

"Concurrent Majority"[5] which was based on an intricate system for the representation of interests, so that "both numbers and interests must concur for all legislation;" and he urged that the dominance of the mere "numerical" majority should be done away with.[6]

On the other side, it is necessary to remember that at the time when the Federation was formed there had prevailed a large amount of uncertainty regarding its character, which did not easily die out. The Fathers of the Constitution long discussed among themselves about the word which would exactly fit the state they desired and believed to have obtained—'confederal', 'federal', 'a compound republic', a 'confederate republic', a 'more perfect Union', a 'partial union or consolidation', a 'consolidated government.' As has been well put by Madison, the Constitution of the U.S.A., at its inception, was held in strictness to be "neither a national nor a federal constitution, but a composition of both. In its foundation it is federal, not national, in the sources from which the ordinary powers of the government are drawn, it is partly federal and partly national; in the operation of these powers, it is national not federal; in the extent of them, again, it is federal, not national; and finally, in the authoritative mode of introducing amendments, it is neither wholly federal nor wholly national."

5. According to Webster, the idea of 'concurrent majority' developed by Calhoun (*Works*—edited by R. K. Kralle (1861-74), Vol. I) would be merely to turn majority rule into minority control and "to overthrow democracy as it had been known and accepted since the formation of the Constitution."

6. Calhoun gave a new turn to his doctrine of Nullification. Answering the charge that Nullification would mean an act of revolution on the part of the State proceeding to it, he argued as follows:—"Nullification should be so planned and executed with such deliberations, delays and postponements, and such ample opportunities for conciliation, compromise and adjustment that it would operate merely as a check on the national government and give both time and motive for a final settlement. "The escape from the crisis must be not the revolt or permanent recalcitrancy of a single State, but an appeal to the power which had made the Constitution and which had the final right to interpret its intent and meaning, to the association of the sovereign States." If the general government was not willing to yield in the matter in controversy, it must call a constitutional convention, such as that for proposing amendments." (Woodrow Wilson on State Rights—Chapter XIII; 'Cambridge Modern History' Vol. VII: The United States).

H. Finer says that from a study of the records of the Convention that drew up the Constitution and of the debates in the State Conventions, one could obtain some clear ideas about the diverse views held by individuals as to the federal relationships which would develop. The Kentucky and Virginia Resolutions are clear that the States entered into a compact and that the powers of the Federal Government resulted from the compact to which the States were parties. Greatly dependent upon this interpretation of the compact, Jefferson and Madison had urged that the States were parties to the compact and the system of Federal Government depended on their assent. But Hamilton had urged that the States were not the creative or creating units in the Federation, but were mere agents of the people and the real federating units were the people themselves and there could be no legitimate secession except with the consent of all the partners. Judge Story in his famous *Commentaries* has asserted that the compact could not be destroyed, except with the consent of all its partners and should be indestructible because of the great interests involved in the continuity of the life of the Federation.

The question was one that could be likened to the rejection of the claims of minorities in unitary states; in the U.S.A., the dissatisfied elements took up the plank of State Rights. The best and most critical trial of the problem was in the debate, above referred to, in the Senate between Hayne, Webster and Calhoun.[7]

7. "The debate between Hayne, Webster and Calhoun reformulated the questions: (1) whether the Constitution was a compact between States, or made by the people to include the States and the Federation in a scheme limiting both to certain rules of behaviour?; (2) if the terms were uncertain, in whom was the right of judgment vested, the Federal organs, and if so, which?; (3) if the actual terms were the cause of social uneasiness, how were powers to be redistributed—by the process of amendment in the constitution or.....?; (4) was secession legally possible?

"Webster answered the first question by saying that the people were the sovereign body, paramount over States and Federation. We are all agents of the supreme power, the people." Hayne maintained that the Union had begun with independent sovereign states, who had, as states, voluntarily given certain powers, but not their sovereignty, to the Federal authority. Hayne therefore argued as though the issue were one between the opinion of the individual states and the Federal Government: whereas the real issues, as Webster pointed out, were those

Calhoun ceased after a time to be national in his feelings and outlook and became the champion of a section, namely the South and its interest in the institution of slavery. As pointed out above, he had much theoretical support for his view that the constitution was a compact among Sovereign States made for certain specific purposes and therefore the Federal Government should not be the judge of its own powers, because in such a contingency the discretion of the Federal Government and not the Constitution would be the sovereign. He sought the proofs of his view in the Constitution itself. He rejected the theory of social contract as a basis of society and of government and, paradoxically enough, supported the contract theory of the constitution while denying a similar theory of society. For if once it was accepted that the Constitution was not a social contract, then it could be argued that the parties to the constitutional compact were not the individuals, but sovereign States. The next step in the argument was that the Constitution imposed certain obligations upon the Sovereign States and conferred upon them certain rights and duties and the measure of the obligations depended on the judgment of the contracting States. He rejected the old theory of divided sovereignty and denied to the Union all right and title to such a power. Calhoun's arguments implied a new standpoint of the judgment of political phenomena. He aimed to give power to a section, substituted the notion of a Confederacy for the ideal of a nation and defended slavery.

III

Chief Justice Marshall served in his high office for more than 34 years; and by dint of his fostering care, his interpretation of

between the States and the Constitution. In Webster's view the Constitution was sovereign over States and Federal Government. In Hayne's, it was as though the Constitution were not, but that a daily questioning and re-arrangement were permissible, on the general grounds that the States were sovereign and were the proper judges of the extent to which the Federal authority passed beyond the written document.

"Webster's strongest point and Hayne's weakest lay in the answer to Webster's question: If one State could nullify and, perhaps, secede, so could all. Then the Union was clearly like a rope of sand." (H. Finer: The Theory and Practice of Modern Government, Vol. I, p. 329).

the Constitution in a national sense went on apace. He was a Virginian by birth and had entered the bar as early as 1780, being initiated into politics at the same time. As a member of the Virginia Constitutional Convention he actively supported the adoption of the Federal Constitution. He had declined the offer of the Attorney-Generalship in the Washington Cabinet; but he had served as a special envoy to France; he entered the House of Representatives in 1798 and became Secretary to President Adam in 1800 and Chief Justice of the Supreme Court in January of the following year, serving in that position till his death. When he ascended the Bench of the Supreme Court, the power of the courts to declare a law unconstitutional had still not been definitely vindicated. This vindication he first enunciated in the famous case of Marbury *versus* Madison. The constitutional importance of this decision cannot be overvalued; it determined the limitation of the powers of the Federal Government and asserted the peculiar functions of the Supreme Court to maintain the limitations set by the Constitution; but it also implied "the right of the Federal Government through one of its branches, to judge of the extent of the powers conferred upon it by the Constitution, thus making the Federal Government one of limited powers, equipped however with the power of judging itself the limits of those limits." Marshall also gave the stamp of judicial approval to the principle of *applied powers* in these emphatic words: "Let the end be legitimate, let it be within the scope of the Constitution, and all means which are appropriate, which are plainly adapted to that end, which are not prohibited, but consistent with the letter and spirit of the Constitution, are constitutional."

In the famous Dartmouth College Case, Marshall and Webster vindicated their faith in the Constitution and in the Union to a most remarkable extent. It was Marshall that made possible by his decision the power of the Federal Government to acquire territory either by purchase or by treaty. No wonder, therefore, that though his death was followed by the second reaction in the history of U.S.A. against excessive centralisation and the Supreme Court itself displayed, under Chief Justice

Taney, sympathies with the doctrines of the Democratic Party, but without actually abandoning the tendencies of the previous epoch, the centralising tendencies developed by Marshall, soon reasserted their strength. President Van Buren (1837-41) complained bitterly of the renewed encroachments of the Supreme Court, declaring that it would never have been created, had the people foreseen the powers that it would usurp. A little later, during the Civil War and after it, centralising ideas again became powerful. Bryce says, in a very admiring tone, that the Americans were wont to regard Marshall as "a special gift of favouring Providence" and as a one "whose fame overtops that of all other American judges, more than Papinian overtops the jurists of Rome or Lord Mansfield the jurists of England." He adds:—"No other man did half so much either to develop the Constitution by expounding it, or to secure for the judiciary its rightful place in the government as the living voice of the Constitution. No one vindicated more strenuously the duty of the court to establish the authority of the fundamental law of the land, no one abstained more scrupulously from trespassing on the field of executive administration or political controversy."

Daniel Webster was brought up to manhood in a generation that found prosperity in the Union and the cause and justification of the Union in the Constitution. He entered Congress in 1812 and there bitterly opposed the war with Britain begun in that year, as also the principle of protection.

Webster's championship of the idea of national unity as against the doctrine of Nullification was embodied first in his first speech in reply to Senator Hayne, in which he endeavoured to set forth the nature of the Union as it had developed under the Constitution. The second speech was the reply to Calhoun already adverted to; and these two famous speeches of his moulded the sentiment of Union into a consistent and coherent form. Rejecting the compact theory of the Federal Government, Webster argued:—"The Constitution, sir is not a contract, but the result of a contract; meaning by contract no more than assent. Founded on consent, it is a government proper. The people have agreed

to make a Constitution; but when made, that Constitution becomes what its name imports. It is no longer a mere agreement." Webster admitted that Nullification might be justified if the Union were only a League resting on a compact. But he was convinced that the Constitution was no compact, but it was really the supreme law of the land and therefore, both by necessary implication and by expressed grant, the Federal Government was the final and conclusive judge of its own powers. The right of Nullification by a State and its concurrent right to remain within the Union were deemed by Webster to be "half allegiance and half rebellion, which could ultimately result in nothing but revolution, open rebellion to be maintained by force of arms." The truth of his argument became plain when Secession replaced Nullification, and secession was obviously a revolutionary and extra-constitutional weapon which, in the words of the political philosophers of the seventeenth and eighteenth centuries, could be justified only by the admission of the inherent right of all peoples to change their form of government when the evils to which they were subjected became intolerable.

"Early and late" Webster strove to uphold the Union and the Constitution. His aim was as strong in 1850 as it had been in 1833 when he battled with Hayne; but his methods had changed. Previously he was opposed, tooth and nail, to any suggestion of compromise, but he learnt to yield as to method, when faced in 1850 with a "united and menacing slave-power." Now, not to attempt to forbid slavery in the New Territories seemed to offer the only hope of perserving the Union; and futile it had come to be to endeavour "to reaffirm the ordinance of nature, to re-enact the will of God." In 1850 he tried to secure a final and conclusive settlement by some measure of yielding, even though it should be, on fundamental principles. But he could not thereby secure the acquiescence of the North to such yielding. "The narcotic of constitutional guarantees was no larger effective in deadening the moral conscience"; and as the clouds of the civil war thickened on the horizon, the North remembered only the unyielding Webster of earlier days—"the man who voiced a nation's cry for life; the man to whom Liberty meant Liberty, one and insepara-

ble, now and for ever." Webster survived Calhoun only for a couple of years; while Clay had predeceased the former by a few months. Both employed their declining months towards the maintenance of the Compromise of 1850. Both were reviled by their unthinking adherents as apostates and enemies of the Union. Both cried out to the last for peace and good faith; both disappeared "from the state, before they could know what the outcome would be, hoping for the best, but doubting and distressed, their veteran heads bowed as if before a breaking storm."[8]

It may be that this lesson from the recent past of a great Federation whose God-preserved unity and strength are now so indispensable and invaluable for the victory of Freedom in the world, will serve as a caution and a guide to those whose developing ideologies may lead them to the path of the break-up of India's unity, on the basis and justification of the preservation of the individuality of cultures and of the maintenance of rights of minorities against possible oppression by majorities.

8. Woodrow Wilson (p. 419 of C. M. M., Vol. VII).

PROBLEMS OF RECONSTRUCTION

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The revolutionary development in modern political thought shows how far we are removed from the smug, self-satisfied atmosphere of the Victorian period. By then, political democracy had come to be accepted in spite of the doubts of a few writers like Maine. The problem for men like De Tocqueville was, not to question its inevitability, but rather to reconcile it with respect for property and reverence for religion. Even with regard to this, Tocqueville was convinced by 1835 that the American democracy had successfully harmonised all this. Enthusiastic advocates of democracy saw in the new dispensation the advent of a glorious millennium, which promised benefit to humanity in all spheres of life.

Bryce, in many ways a Victorian, wrote in his "Modern Democracies":

"The old question, 'which is the best form of government?' is almost obsolete, for Democracy is now accepted as the normal and natural form of government". After studying the experience of a century of popular rule, Bryce concluded that, taking all factors into consideration, democracy had achieved far more satisfactory results than any other form of government. It is characteristic of his outlook that he did not favour the use of the machinery of democracy by the masses to reconstruct the economic life of the community. It was not realised that the economic condition of the poor made their vote ineffective. Political equality lost its meaning in the presence of profound economic inequalities. In the sacred name of individual liberty, a plutocracy entrenched itself in power in several countries.

Side by side with the economic *malaise* in society, some other alarming developments were perceptible. A gradual breaking down of moral standards was illustrated in the corruption which reared its head in political life, in the rise of criminal gangs co-operating with party machines, in the development of a growing spirit of indifference to religion, and the emergence of an impatience with traditional conventions—for instance, the sanctity of the marriage tie.

No wonder that a spirit of despondency appeared, replacing the older optimism. The notion that mankind had ascended steadily in cultural development came to be discredited by many thinkers.[1] Some look up the idea upheld even in 1818 by Shopenhauer in *The World as Will and Idea,* in which he strongly attacked human optimism in progress. Spengler in his *Decline of the West* predicted the end of Western civilisation. Dean Inge, arguing from the eugenic standpoint, deplored that the worst stocks were multiplying and the best declining in numbers. If we accept the truth of Santayana's dictum that civilisation has diffused from the privileged minorities, and if we equate these "privileged minorities" with the "best elements" from the eugenic point of view, it is arguable that the outlook for civilisation tends to be bad. Lothrop Stoddard, who looked at the question from another angle, saw with alarm the fecundity of the coloured races which meant, in his opinion, peril for Europe and its culture and lamented the decay of the 'Nordic' race.

The existing system was attacked on economic grounds by influential writers. Distinguished intellectuals poured on it destructive criticism. Of course, socialists added to this condem-

1. Sir Flinders Petrine, in his *Revolutions of Civilisation* argued that when a race had exhausted its possibilities, if it intends to escape annihilation, it must rejuvenate itself by mixing with another (possibly less civilised) race. He pointed out that culture in Egypt advanced and receded in waves, and believed that the present culture had reached its height in 1800 A.D. and is declining since then.

nation.[2] An extreme type of this criticism is found in Trotsky's *Whither England?*

Psychologists drew attention to the growing emphasis on Herd Mortality, which led to the sacrifice of individual judgment[3] and bred hypocrisy, and also to the unscrupulous exploitation of the emotional complexes of the masses by the use of cunning catch-words and slogans.

Fascist circles ridiculed the democracy of the Western countries as effete and outworn. But, it must be recognised that there is nothing very much original in the Totalitarian gospel. Regimentation of individuals on behalf of the All-Powerful State was familiar to Greek political theory, and was practised by Sparta long ago. Even the Nazi *Weltanschuung* only tries to harmonise the ideas of three utterly different thinkers of a preceding age—Hegel's theory of the Absolute supremacy of the State, Nietzsche's idea of the Super-Man, and Houston Stewart Chamberlain's ideal of the superiority of the Germanic race. Adolf Wagner, the economist of the Bismarckian period, believed in a sacred German mission in the world, in anti-Semitism, and in State control of all activities. The mystical appeal of dictatorship is also traced[4] to the Old Testament idea of a redeemer come to end the present chaos and to reconstruct society on a new foundation of justice and happiness.

The most disturbing feature externally was the ominous rise of exaggerated Nationalism which, in turn, bred the twin evils of Chauvinism and Imperialism. Though Marx held that wars were inevitable in the capitalist system of economy, there

2. Betrand Russell painted the future of Man as dismal in his *Icaurus*. H. G. Wells indicted the social system in his long novel, *The World of William Clissold*. George Bernard Shaw, in his *Intelligent Woman's Guide to Socialism* regarded the civilisation of to-day as a disease. Edward Carpenter had urged even before that civilisation was itself a kind of disease in his book with the suggestive title *Civilisation—Its Cause and Cure*. The Webbs, attacked the present system in books like *The Decay of Capitalist Civilisation*.

3. See Joad, *Thrasymachus*.

4. *Revolutions and Dictatorships;* Essays in Contemporary History, Ed. by Kohn.

is no denying that it is this spirit of national rivalry and antagonism which has been responsible for most of the serious wars which had ravaged the world in recent times. Norman Angell maintained[5] that the *divisive* influence of Nationalism was working against the cultural and economic unity of the globe, and that a solution must be found in the establishment of an organised society of States on the basis of consent. The necessity of such an international organisation was stressed by Keynes, Delisle Burns, Brailsford, Hobson, Woolf and Lowes Dickinson—to mention some writers out of many. The League of Nations formed after the War of 1914-18 tried to harmonise the existence of a world organisation with the independent sovereignty of the Nation-State. Reconciliation of these contradictory positions became impossible, and the League failed before the assertion of the demands of independent national sovereignty.

What, then, is the solution? Exaggerated pessimism seems to be out of place. The emphasis must be on human development as a whole, and not on any transitory phase. For instance, a race might perish; but, its material achievements and cultural creations do not die. They are added on to the sum total of human civilisation, which inherits and preserves all these achievements. The alarm felt against the rise of new tendencies in society, again, seems to reflect only the age long human prejudice against anything novel, and ideas which shocked a previous generation are accepted as normal by the present generation. Once we grant that a particular stage of society is not permanent, and that the human species, like any other organism, is able to adjust its living conditions to new circumstances, much of the dismalness in outlook is dispelled. The problems seem to be essentially twofold—internally, within the State, a readjustment of the economic life of the community to redress much of the grosser inequalities; and externally, outside the State, shedding of the old shibboleth of State-sovereignty and the creation of a really effective Super-State.

5. *The Great Illusion* and *The Traits of Victory.*

Though there are difficulties, the outlook is not unpromising. To take the internal position in the State first, nobody believes now in the old *Laissez-faire* policy. The question has become—not whether the State should interfere in the economic life of the community—but only how far it should interfere. Though totalitarian countries pride themselves on a greater advance here, democracies have seen also extension of State activity, to a degree undreamt of before, in the promotion of the welfare conditions of the masses, mass education, public health, provision of minimum subsistence for workers and progressive taxation of the rich in the interests of the community. Democracy is accomplishing all this without sacrificing unduly individual liberty. It may be noted that no dictatorship tolerates freedom of discussion or the liberty to criticise its measures. Whatever its boasted achievements, dictatorship is bound to be a transitional phenomenon. As Mr. Cobban explains,[6] it is a product of despair when a community, wearied of efforts at self-improvement, deliberately regresses to the primitive urge for a personal leader, thus evading its responsibilities. Once the urgent problems of emergency are solved, the work of the dictator is over, and he is bound to disappear. On the other land, the path of the democratic community is surer, safer, destined to lead to more permanent good, and more productive of good in the long range, because it follows policies based on the free consent of the bulk of its citizens. The astonishing strides to a new social order which Britain has made in the course of this War illustrates the wonderful capacity of the democratic organism to adapt itself to new conditions.

From the international aspect, one hope of the world is that, after the terrible experience of this war, the collective conscience of humanity will effect an enlightened reconstruction of human society. As one writer remarks,[7] the present war may be the last desperate attempt of Pan-Nationalism to dominate the World Order. Already, an extraordinary number of thinkers have put

6. *Dictatorship: Its History and Theory.*
7. *Revolutions and Dictatorship*, Essays in Contemporary History ed. by Kohn.

forward various plans. Streit's sensational book, *Union Now* envisaged a federation of fifteen states, to start with, comprising Britain, the five British Dominions, United States of America, France, Holland, Belgium, Denmark, Norway, Sweden, Finland and Switzerland. Harold Nicholson argues[8] that the new super-state should have the monopoly of the use of the air-force to enforce its sanctions, the constituent units being not only forbidden the maintenance of the Air arm but allowed to keep only the utmost minimum of defensive troops in any form. Senor Madarriaga urges[9] a World Trade Commission, a World Bank and a World Cultural Association. Ludwig elaborates[10] the need for a close integration of all the states. Prof. Keeton and Dr. Schwarzenberger advocate also a federal solution, though on a more modest scale than Streit.[11] Dr. Garnett pleads[12] for the formation of an international commonwealth on the basis of a restored and revitalised League of Nations.

But, all solutions of this problem depend for success on a resolute effort to put a stop once for all to the prevalence of the "law of the jungle" in the international sphere. As Dr. Rappard has shown,[13] failure till now was due to lack of boldness of the collective international will. In that new international order to which of we look forward, then will also be no room for imperialism of the old, bad variety; for all colonial possessions will be treated as trusts on behalf of the inhabitants of these areas, and regulated by the World-state on well defined, altruistic principles. The banishment of war once for all will be a chapter in the history of human cultural progress far more brilliant than any in the annals of mankind.

8. *Why Britain is at War?*
9. *World's Design.*
10. *Holy Alliance.*
11. *Making International Law Work.*
12. *A Lasting Peace.*
13. *Quest for World Peace.*

SECTION II: ECONOMICS



THE TANNING INDUSTRY IN TRICHINOPOLY*

By

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Unlike the neighbouring districts of Madras and Coimbatore, the Trichinopoly district has few large-scale industries—the South Indian Railway Workshop at Golden Rock and the Trichy Textile Mills at Kallikudi being the only exceptions. But, like most districts in the Madras Presidency, it has a number of small industries and handicrafts. Some of these are old and some of comparatively recent growth. A few of the former are fast declining, if they have not practically disappeared. Among both the old and the new ones, three in particular stand out as the most important. Tanning is one of these three, weaving and cheroot (cigar) making being the other two.

Tanning is carried on in about twenty tanneries, as well as locally in each village by the Chakkiliyans. Once the village Chakkiliyan did considerable tanning to supply the local demand, mainly for sandals and water-buckets for lift irrigation. But now he does far less of it; for the demand for leather tanned by him has declined with the growing preference of villagers for shoes and water-buckets made of the superior leather produced at the tanneries and the increasing use of ropes of cocoanut or other fibre instead of leather straps for ploughs and carts. He sells raw hides instead of tanned leather, and buys leather for the requirements of his industry. Nearly all the tanning of any importance in the district is therefore confined to the twenty or so tanneries found within its borders.

*The writer is indebted to Mr. G. Mohamed Magdoom, B.A., connected with the tanning industry of Trichinopoly, for much of the materials on which this contribution is based.

The tanneries are not widely scattered all over the district. On the contrary they are concentrated in a small area on the outskirts of Trichinopoly. All but two are located at Sembattu, a village about five miles to the south-east of the city on the bus route to Pudukottai. Of the two that lie outside Sembattu, one is at Kallikudi, and the other, which is but a branch of one of the Sembattu tanneries, at Manjathidal. Sembattu, to all appearances an unpromising village, has several advantages which have made it a tanning centre: vast open spaces, cheap land and labour, a good supply of water from wells, excellent transport facilities especially on account of proximity to the Trichinopoly Railway Junction, and above all the enterprise and capital of some of the leading businessmen of the city. However, the factor which helped to localise the industry there, rather than within the city where some of these facilities are not lacking, seems to be the consideration, reinforced by municipal regulations, that, in view of its nature, the tanning industry is best located outside the municipal limits on grounds of sanitation and public convenience.

The tanneries vary in size. The two biggest are housed in rather spacious buildings. Both are equipped with power-driven machinery, one slightly more than the other. They together employ about three hundred and fifty workmen, there being more workmen in the one employing less machinery. They have each a normal capacity to handle on an average 3,500 hides and 30,000 to 40,000 skins a month. The smallest tanneries carry on in very modest quarters, with no machinery of any sort, with just a few workmen and a small output capacity. The rest of the tanneries, which are of moderate size, have somewhat better buildings, employ more labourers, ranging up to thirty or thirty-five, and get a larger outturn in proportion to their size than the smallest tanneries, though they are equally devoid of any mechanical equipment.

Except a few tanneries which are partnership concerns, all the others are owned by single proprietors. They share naturally in the advantages and disadvantages of such a kind of business organisation. While on the one hand they have the great benefit

of personal interest and attention, on the other they suffer from the drawbacks of the limited supply of capital and the risks attendant on absolute dependence on a single individual. It is fairly evident that the expansion of the tanneries has been handicapped by the lack of capital and that their stability hangs on the fortunate accident of the proprietors being succeeded by equally able heirs.

The two biggest tanneries and one or two others draw their raw material from all over the province, and the rest largely from the Trichinopoly and the adjoining districts. The former have *mandies* or warehouses in several towns where the hides and skins of the surrounding areas are gathered and sent to the tanneries—by lorry in most cases and by rail or in bullock-carts in others. The hides and skins are of various kinds, their quality depending partly on the flaying skill but chiefly on the breed of the animals; and they are named after the geographical regions to which the breeds belong. Thus the skins are classified into the Northern, Southern, and Western varieties on the basis of the corresponding group of districts from which they are drawn. In Trichinopoly and the towns where the *mandies* exist the butchers deal directly with the agents of the tanneries, but elsewhere they sell the hides and skins to local dealers. Like all middlemen, these dealers render to industry a very useful service in gathering on its behalf widely scattered material. At the same time they are not free from the middleman's vice of exploiting the customer's ignorance of market conditions and paying for his product a much lower price than the trade can afford.

The labourers are almost without exception locally resident, though most of them were not originally natives of the place. A good many of those in Sembattu have quarters provided for them by the employers. Few children are employed, and only a small number of young persons and women relatively to men. The majority of labourers are Hindus, and the rest are Christians. But whether Hindus or Christians, they all belong to the depressed classes, especially the Chakkiliyan class. This is due partly to the fact that the Chakkiliyans, and to some extent, the other

depressed classes, have traditional skill in the craft and partly to the prejudice, which still exists almost unabated, that the work is too degrading for the higher castes. The young persons and women, who are set to rather light work, are paid two to five annas a day, and men who do the more strenuous and skilled work get anything from a daily wage of six annas to a monthly salary of forty rupees. The proportion of those receiving an aggregate monthly wage of Rs. 20 and above to the total is rather small. It would seem that the efficiency of the labourers and the condition of the trade could permit a higher scale of wages. But just how much higher cannot be determined in the absence of fuller information than is available. The condition of the labourers in respect of hours of work, holidays, rest intervals, ventilation, etc., in the two leading tanneries, which use machinery and are therefore reckoned as factories subject to factory laws, conforms as far as possible to the regulations; and it is not very different in the other tanneries. It may be stated, however, that fencing of machinery and more satisfactory measures than those already taken to protect the labourers from the harmful effects of handling hides and skins soaked in lime water or chemicals, are imporant desiderata.

The tanning process in use in the tanneries, which can only be described here in the barest outline, falls broadly into two parts. The first is the preliminary process by which the hides and skins are prepared for tanning. They are soaked in pure water for about twenty-four hours and in lime water for nearly a week. They are unhaired and fleshed by means of curved knives worked up and down vertical palmyra beams over which they are spread out. They are scudded with the same knives, squeezed, trampled upon and washed in several changes of water in order to remove the lime from them. The second part, which is tanning proper, is either bark tanning or chrome tanning. In bark tanning the hides and skins which have gone through the preliminary process are soaked in a tanning liquor of *avaram* bark (*Cassia auriculata*), care being taken to put between them a sufficient amount of bark. After a few days during which they

are scudded and squeezed several times so as to accelerate the penetration of tannin, they are passed into a stew prepared by boiling broken myrabolan (dried fruit of *Terminalia chebula*) in water, where they remain for three or four days. They are next sprinkled with oil which is rubbed all over by hand, and piled up one above the other. After remaining in pile for sometime they are hung up to sun. When they are half-dry, they are finished off by being set out, dyed if needed, dried fully, softened and neatly trimmed at the edges. In chrome tanning the hides and skins, which have passed through the preliminary process, are pickled before tanning in a solution suitable for the purpose. They are then put in big revolving drums containing the chrome tanning liquor, and are deemed sufficiently tanned when the blue tint of the chrome liquor has penetrated right through them. As soon as they are taken out of the drums the sulphuric acid absorbed by them with the tanning liquor is completely removed, after which they are oiled and finished off for the market. It must be noted here that chrome tanning is a much quicker process than bark tanning and that in both skins are tanned much sooner than hides. Moreover while the tanneries agree in the broad outline of the tanning processes, they differ in details of working them in practice with consequent variations in the quality of the product.

In the two power-using tanneries most of the tanning processes are carried on with machinery. Part of the machinery is imported, and part made in India. The fuel for the mechanical plant is supplied in part by the avaram bark which, after its use in tanning, is dried and stored for the purpose. This careful avoidance of waste of material is also seen in other cases. The hair which is scraped off is sold for making blankets and brushes, and the flesh shaving as manure. The leather pieces sawn off the heavy hides in the process of planning them into a uniform thickness are neatly finished with artificial grain and attractive colour and sold in the inland market.

Tanned skins used to form the bulk of the output of the tanneries while the tanned hides made up only a small proportion,

which, however, has now risen on account of the increased tanning of hides by one of the leading tanneries in response to the Government demand for war purposes. The tanned hides and skins are carefully graded according to quality and the better grades are transported to Madras, where some of the tanneries have godowns of their own, and from there exported to the United kingdom. They are sold by auction in the London market, and it is to be noted that the tanned skins of one or two of the tanneries fetch very high bids on account of their superior quality. The inferior grades are sold in the home market. Raw skins, salted and dried in the shade, known commercially as "dry" skins, are also exported, but to order unlike the tanned products. At present the orders received are from Australia and America where there seems to be a great demand for the "dry" skins.

The tanneries have been working from about the beginning of this century, and during the last forty years their fortunes have varied with those of the other tanneries of the province, if not the country as a whole. The export of tanned hides and skins from Madras grew more or less steadily up to 1917-18, while in that year it declined abruptly on account of the great shortage of freight. In 1918-19 the export of hides revived but not that of skins, as, in view of the war requirements, the tannage of hides was encouraged, while that of skins was prohibited. In the following year there was a boom in the export trade in both hides and skins, though in numbers the latter were much less than before the war. This was followed by a decline in the trade during the general depression of 1920-22. From 1923 the trade rose quickly to its pre-war level, if not higher. It suffered with other trades during the world economic depression of 1929, but has recovered since, the present war giving a further stimulus to the trade in hides. A special feature of the trade since the last war is that the export of tanned hides has grown at the expense of that of raw ones, the export duty on raw hides largely helping this, and that the export of raw and tanned skins has fluctuated in response to demand. Corresponding to these changes in the

trade, the tanneries have concentrated now on one and now on another branch of the trade.

The future of the tanning industry in Trichinopoly is largely a question of organisation. The concentration of the tanneries into one or two big establishments on a joint-stock basis would, apart from eliminating the waste involved in the multiplicity of small concerns, lead to the creation of a first-rate industry working with up-to-date methods, adequate capital and well-trained labour. Such a development deserves the earnest consideration of all those connected with the industry, indeed of every one interested in the growth of Indian industry.

TOWARDS A NEW SOCIAL ORDER

By

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It is common ground with most thinkers on social questions that Victorian liberalism is dead, and has failed to justify itself. Prof. Marshall, always a keen student of affairs, indicates the trend of economic institutions and shows the inevitability of monopolisation when he examines how the size of the representative business unit has been steadily increasing during the last half-a-century or more. In the economic world, as in any other, there must always be movement, for stagnation may mean death.[1]

If there is one thing on which we may all be agreed, it is this: We must change, we must re-adjust. We must find a remedy for many of the socio-economic ills we have around us—unemployment, wage slavery etc. Social justice was outside the range of practical sympathy of many nineteenth century thinkers. But it must also be said to the credit of thinkers of Europe, from Robert Owen and Sismondi to Pigou and Keynes, that the torch of reform has never been allowed to be put out.

It is the easiest thing to feel dissatisfied with things as they are; most of us are, in one way or another. But it is extraordinarily difficult to work out a simple or single scheme of economic reconstruction satisfactory to all. We can all agree that the 'dominant aim of economics should be to contribute to a solution of social problems' as and when they arise.

Fr. Carty brushing aside the inadequacies of the old science of economics as a science of wealth, pleads for a change of out-

1. Pigou also says:—"In many cases the joint stock concern is not subject to competition. Many important industries are operated by concerns that co-operate in price cartels and in closer associations.'—*Economics of Welfare*, p. 317.

look and a new approach to social progress. He quotes with evident approval Prof. R. W. Souter's criticism of a positive science of economics as a formalist science working in neurotic isolation[2] and asks us to face boldly in a constructive spirit the theoretical problems of normative economics conceived as organically related both to philosophical ethics and to political philosophy.

Holding that economics is a science of social values, Father Carty makes out a difference between Social Economics and Socialist Economics. He says: "Perhaps the shortest and clearest way of drawing the line between the two is to say that the word socialism covers all the theories which attack and condemn the personal right of private ownership of wealth as distinct from the abuse of it; and that social reform on the other hand defends the right while condemning the abuse."[3] He then proceeds: "Strange as it may seem facts go to show that socialism is not social, it is even aggressively anti-social." We hold, on the other hand that the class war is the cause of socialism, not its result. It is a mistaking of the socialist ideal to attribute to it the class war as its object or its goal.

Pursuing the argument further, Father Carty advocates Social Economics as against Socialist Economics and maintains that "by the right of private property man is entitled to own *legitimately* any amount short of possible social claims on him, while socialism limits that amount to the necessary minimum, and brings in the authority of the state for any large amount."[4] It seems to us to be futile to argue about the *right*, separating it from the *exercise* of the right. As Prof. Pigou rightly points out, "a planned economy where the end aimed at is obviously and avowedly the advantage of a narrow governing clique is not socialism; planning for the common good is always implied in any genuine appreciation of socialism."

2. P. Souter: *Quarterly Journal of Economics*, May 1933, p. 413.
3. *Economics A Social Science*, p. 24-25.
4. *Economics A Social Science*, p. 131.

What Prof. Pigou says of socialism is worth notice by every social thinker. The case for socialism as a remedy for inequalities of distribution among persons is much stronger than at one stage it seemed to be. There is certainly no ground for asserting a priori that socialist central planning will produce situations less favourable to general well-being than capitalism would do.[5]

Father Carty proceeds to suggest a via media between Individualism and Socialism. He says. "In order to make the problem more concrete and to fix our ideas on the subject we may define the organization as 'a public body intermediate between private industry and the state entrusted with the care of the common good of the profession and with its representation before the public powers'—a guild, established within the state for the purpose of promoting the interests of the profession and the welfare of its members." Describing his ideas of a new social reconstruction in further detail, he observes: "The corporation receives its charter from the government and within the measure of authority recognised by that charter exercises over its members a genuine democratic self-government legislative, executive and judicial in the discharge of its functions." Father Carty considers that if his idea is to succeed, men's minds *must be prepared* for the following postulates: —

(a) that the whole body of citizens engaged in a particular profession, in spite of the divergent interests of its sections such as capitalists and workers, have fundamental common interests,

(b) that the professional group is a natural thing,

(c) that the state as guardian of public order is morally bound to put an end to internecine strife, without sacrificing the natural rights or civil liberties of any of the contestants,

(d) that the state is not competent to take upon itself the whole care of the professional groups, and that the

5. *Socialism* vs. *Capitalism*, p. 30, 134.

state would be guilty of a serious disturbance of the right order.[6]

A number of questions have to be answered before we can accept these ideas of reconstruction. What is the Right Order? How is the state incompetent to take on direct responsibilities on the economic side? How can the state be expected to maintain order between competing groups without interfering severally with so-called natural rights or civil rights of the parties concerned in disputes? One can share Father Carty's hope that in the interests of an organization to secure social peace, it is necessary to have a structure that is intelligently human, but one has to demur to his conclusion that his remedy—the corporative system—provides the necessary framework to secure self-respect for its members *and* justice to all.

It is not that Father Carty's contribution is not dynamic; but it is not dynamic enough. It is no good to call up the days of the craft guilds and give the guilds a new name. Any attempt at modernisation of medieval groups might end in exclusiveness. The lessons of the nineteenth century Capitalism and Imperialism give us no alternative except some sort of national or international socialism as the only way out of the present tangle of our economic system.

A socialised system is one, the main parts of whose productive resources are engaged in socialised industries. The essential feature in socialisation is that industries and services with the instruments of production which they require should not be 'owned' by individuals and that industrial and social administration should not be organised for the purpose of obtaining private profit.[7] As has been very well pointed out by Sir S. Radhakrishnan[8] "One cannot be content until a new social order with basic economic justice, racial brotherhood and equality, free intellectual and spiritual co-operation and true friendship

6. *Economics, A Social Science*, pp. 152-158.
7. S. Webb: *The Decay of Capitalist Civilisation*, p. 247.
8. *Contemporary Indian Philosophy*, 1936, p. 288.

among the nations is established. So long as man has to earn his bread at the sweat of his brow, he will spend his energies in the pursuit of food, but if society is organised with vision and courage so as to secure for *all* its members food, clothing, and shelter, the individuals will be freed for the pursuit of the higher things of the mind and spirit. If a *radical* change in what may be called the *mechanics* of living is brought about, the cost of living will receive a fresh impetus and the destiny of humanity will be achieved."

This is the hope of socialism. That is its ideal. As Morison points out, 'the important essentials of socialism are that all the great industries and land should be publicly or collectively owned and that they should be conducted in conformity with a national economic plan for the common good instead of for private profit.'[9] In the matter of technical efficiency in production it is impossible to say anything definitely against socialism, and so far as the problems of unemployment and wages go, a socialist system with central planning has definite advantages over a capitalist one[10] or even corporative organisations. Prof. Pigou points out that 'in Russia under the new regime tremendous enthusiasm for work on the part of manual wage-earners has been evoked.' Mr. and Mrs. Webb describe the high spirit that these men, feeling themselves servants of their own state, not of private profit makers, display.[11] In the matter of incentives to work, it is possible that socialism may not fail, if we really make a great and genuine attempt to create a new order on the principles underlying socialist ideals. Difficulties in the way of immediate results do not disprove the righteousness of socialist ideals. They only show our own want of faith in our fellowmen and our responsibilities one to another.

Socialism has its difficulties in actual practice, but it can be introduced by peaceful parliamentary methods, and by

9. *An Easy Outline of Modern Socialism*, p. 9.
10. Pigou: *Socialism* vs. *Capitalism*, p. 99.
11. *Soviet Communism*, p. 753.

stages. We have not all the data for a successful working of socialism, but it seems to be our inevitable goal in the evolution of our lives. If the state could plan as a central authority and make use of associations of individuals—the co-operatives —to work out production and distribution on the principle of 'each for all' and 'all for each' a great step would have been taken to have the best of individual incentive and social idealism.

No doubt heroic remedies of a revolutionary type are full of dangers and one cannot end this survey better than by quoting Prof. Pigou's concluding words of his essay, *Socialism versus Capitalism.*

"If, then, it were in my power to direct my country's destiny, I would accept *for the time being* the general structure of capitalism, but I would modify it gradually. I would use death duties and graduated taxation with the *deliberate* purpose of diminishing the glaring inequalities of fortune and opportunity. I would take a leaf from the book of Soviet Russia and remember that the most important investment of all is the investment in the health, the intelligence, and the character of the people. All industries of public interest or capable of wielding monopoly power, I would subject to public supervision and control. The Central Bank would become a State Bank with instructions to mitigate fluctuations in business. Then further steps towards nationalsation would be taken by degrees. The central governing authority will inevitably have to plan an appropriate allocation for a large part of the country's annual investment in new capital"[12]—not an impossible task with growing experience in knowledge and technique.

With the establishment of a new order based on social justice among the individuals in a nation, the dream of international peace and good will may not be too far off, and it may be that out of the sickening roar of the nations of Europe to-day the world may evolve something worth having—the fulfilment of a new ideal of service to mankind.

12. *Socialism* vs. *Capitalism*, pp. 137-38.

THE NINETEENTH CENTURY ECONOMIC ORDER AND INDIA

By

P. Chentsal Rao, M.A.,

The nineteenth century saw the birth of a new technology and a new way of life. They were the offsprings of the Western World and the specialised Man of Science. What were the new innovations that made the world since go finance-centric?[1] The term 'innovation' is advisedly used by Sir Josiah Stamp, for invention has too mechanical an import and it does not include the processes and the consequences of discovery.[2] We are, however, more interested in the consequences rather than the processes of discovery. The greater part of innovation was scientific innovation—in physics, engineering, metallurgy, chemistry and public health. A considerable part fell outside these categories and belonged to the non-physical section—new ideas of banking, money and credit, legal frameworks for the better production and distribution of wealth.

Technical progress first began in Great Britain with Hargreaves, Arkwright and Crompton. Soon France, Germany and America fell in step. And technical progress went unabated all through the nineteenth century as it is doing in the present century. It went on small perhaps in each individual case but cumulatively all important. Of the consequences of power production which was compelling the world to become one economic unit mechanical communications were the most important. Railways, steam ships, cables and telegraphs gave a new mobility to men, goods and news. The opening of Suez Canal in 1869 trans-

1. Henderson, *Money Power*.
2. Sir Josiah Stamp, *The Science of Social Adjustment*, p. 5.

formed the Mediterranean from a blind alley into a world thoroughfare and provided the quickest route from Britain to the Indian Ocean. "The opening of the Suez Canal, shortening as it did the route to the East, not merely quickened the whole of European trade with India but gave a new stimulus to the trade of East Africa and the Far East, a new value to the whole of the Pacific, and opened a new interest in, and created a new attitude towards tropical expansion."[3] There were bound therefore to be fundamental changes in the importance, direction and content of international trade. No longer was international trade confined to articles which were 'small in bulk but great in value.' The combined effect of railways and steamships was to introduce speed, safety, regularity and cheap mobility into economic life. A revolution in commerce set in, due to the transport of bulky and cheap articles overcoming even geographical barriers. The economic unit of production was no longer the artisan working in family groups with simple tools for a small market, but the factory with huge fixed capital producing for the national and international markets. Coal, iron and machinery assumed a new importance on account of their transportability. The countries which had iron and coal held the field. In the new alignment of international trade the advantage was heavily tilted in favour of the manufacturing countries.[4] The tropical and semitropical areas became merely 'hewers of wood and drawers of water.' Their erstwhile famous industrial products were driven to the wall by the cheap machine-made goods.

"The effects of the world extension of trade on general business have been an acceleration of pace, an accompanying increase of risk (with counterbalancing effects such as the improvement of communication which tend to security), a greater development of competition with its evils as well as its benefits, and an endless complication of interests, methods and chances. The regular occurence of commercial depressions is a phenomenon

3. Knowles, *Economic Development of the British Overseas Empire*, p. 24.
4. Toynbee, *Lectures on Industrial Revolution*, pp. 50-73.

known before the era of foreign trade, but these depressions are now more far-reaching, of longer duration, and of more involved and doubtful origin than formerly."[5] The political and economic history of one nation began to include that of another. In peace, as well as in war, the annihilation of distance transformed the relations of men and turned the whole world into a single city. "This central unity is set forth in the general rule that the development of the organism, whether social or physical, involves a greater sub-division of functions between its separate parts, on the one hand, a more intimate connection between them." (Marshall).

In the first half of the nineteenth century France and Germany felt the danger of allowing Great Britain to be the sole monarch in the industrial field. The handicraft industries of the European Countries were menaced by cheap English goods. When home industries were threatened, State intervened and special efforts were made to learn new methods of production; experiments, demonstrations and technical education were undertaken at State cost. Economic freedom was established by the abolition of serfdom and elbow room was guaranteed for the free play of economic activity.

List, the famous opponent to Adam Smith's theory of Universal Free Trade, in the *National System of Political Economy* set forth the situation which faced the continental countries. 'It is a very common clever device that when any one has attained the summit of greatness, he kicks away the ladder by which he has climbed up, in order to deprive others of the means of climbing up after him. In this lies the secret of the cosmopolitan doctrine of Adam Smith and of the cosmopolitical tendencies of his great contemporary William Pitt, and of all his successors in the British Government administration. Any nation which by means of protective duties and restriction of navigation has raised her manufacturing power and her navigation to such a degree of

5. Bowley, *England's Foreign Trade in the Nineteenth Century*, p. 141.

development that no other nation can sustain free competition with her, can do nothing wiser than to throw away her ladder of greatness, to preach to other nations the benefits of free trade, and to declare in penitent tones that she has hitherto wandered in the paths of error and now for the first time succeeded in discovering the truth.'[6] List was an ardent advocate of industrialism and of national production. Although the *National System* was published in 1844, before Britain fully entered into free trade, the effect of List's doctrines became more and more popular in Germany and America during the second half of the nineteenth century. France never took more than a temporary interest in the theory of free trade internationalism except for a short period under Napolean III. France never deserted the Mercantilist system. All through the nineteenth century the tariff was an important part of the French economic policy.

By 1870 England was feeling the competition of France and Germany. The French Republic was seeking consolation for the loss of Alsace Lorraine. Flushed with military victory Germany was putting 'the same energy and organisation in her commercial effort that she had put in her military effort.'

II

The revolt of the American Colonies emphasised the danger of the 'old colonial policy', which regarded overseas possessions as estates to be worked for the benefit of the mother country. This policy was abandoned in the temperate regions. Hence there was to be only racial expansion. Commercial expansion was restricted to tropical and semi-tropical areas. For instance, it was not expected that English colonists would go out to India in the same way in which they went to Canada. The scheme of encouraging colonial production along lines in which competition with the mother country could not arise met with the greatest success in the tropical colonies. The result was the tropical areas became the 'market and farms of the industrial

6. List, *National System*, English Edition, p. 295.

countries.' The fodder for men and machines in the industrial countries began to come from the tropical colonies.

The key that unlocked the tropics was not indigenous capital, but foreign capital. When the Indian Peninsula was governed by a Company the motive was clearly profit. In India British flag followed British trade. "From the days of the 'John' Company down to Sir Samuel Hoare Constitution, sovereignty and responsibility have resided in Parliament and the Crown, but the working of the whole elaborate mechanism of state, the royal sentiment, the viceregal pomp, the armed, the legal formality, results not in any revenue for the community, but in profits, interest and pensions for its ruling classes."[7] The Empire was not only a system of out-door relief for the younger sons of the upper classes; it offered to the investor an ideal field for his savings. Because England started off with a monopoly of industrial production, she also started off with a monopoly of surplus capital. As capital was not used to any large extent in agriculture, the investors were forced by the nature of the circumstances to finance industries. Care, however, was taken to see that only such industries were fostered which did not come in direct competition with the British monopoly. The English financers and the English producers were not always successful in getting it both ways. For instance, when English producers were making great profits by exchanging steel for American wheat and cotton, English financiers were helping America to build up steel plants which would make her independent of the English monopoly.

"So convinced were we that commercial prosperity and civilization were synonymous that we believed that we did well even if we forced trade at the gun's mouth. The Far East was successfully opened up and British capital poured out in a golden stream on less favoured lands. Railways, cotton factories and the stockhold of steamships were purely blessings that none should refuse, however great the price in morals or in beauty.'[8]

7. H. N. Brailsford, *Why Capitalism Means War?*, p. 38.
8. Waters, *An Economic History of England*, p. 564.

The wars of the French Revolution and later the scramble for Africa in the 1880's show that Great Britain was not the only country that was smitten by the new civilization.

III

Direct contact between India and the West began earlier than the contact between the Far East and the West because of "India's greater geographical accessibility and partly because certain Indian rulers showed a readiness to trade and make treaties with the Europeans." The discovery of the sea route to India via the Cape of Good Hope revolutionized the trade routes that had till then radiated from India. India ceased to be the centre of trade and commerce in the Eastern hemisphere. Trade now gravitated into the hands of the Dutch, and later into the hands of the English East India Company; and Indian trade was diverted to the East along maritime routes. The greater part of the Company's rule in India was at a time when England was adopting the Mercantilist Policy. This period of high or protective duties lasted from 1797 to 1824. The English Navigation Laws were in full swing. English goods were imported into India only in English bottoms. And British imports were admitted practically free or paid only nominal duties. Indian goods were penalised by heavy duties within the country and their entry into Great Britain was absolutely prohibited or barred by high duties. Thus the inland trade of the country was discouraged and her foreign commerce was directed for the benefit of England.

During the days of the Company the chief commodities exported from India to Europe were "spices, pepper, drugs, sugar, coffee, raw silk, salt-petre, raw cotton and above all cotton manufactures of singular beauty and in endless variety." In this connection the Report of Mr. Brown on the Commerce of British India in 1802-03 (East India Company Affairs) is worth quoting. "To the most extraordinary order that was ever promulgated by our Sovereign of prohibiting the manufacture of piece goods by the Honourable Company's native subjects, whose ancestors for many centuries had carried on a commerce most particularly

advantageous to the country at large may be attributed in a great measure the decrease of the exports to Great Britain and also the general decline of the manufactures." According to Bowley the East India Company did more harm by monopolising the trade outside their immediate territory, by selling goods in England at unreasonable prices and exacting privileges vexatious and hurtful to other traders, than by neglecting to develop the resources of India; and it was chiefly the interests committed to it were becoming too vast for management that the repeal of its Charter became necessary in 1833.

Just a decade later Great Britain became a completely free trade country. For two generations to come she was the undisputed Agent-General of the World. The investment of capital in India during this period was largely due to "the great demand for jute for bags to carry grain, after England repealed the Corn Laws in 1846, and partly to the demand for raw cotton in England for the machines and to the desire for indigo as a dye for the textiles. The growing prosperity of the working classes in England led to the demand for 'a good strong cup of tea', and as India tea was much stronger than China tea it came rapidly into favour in the sixties, leading to the inland expansion of Assam."[9] The gold discoveries of America and Australia in 1848 led to a large influx of gold into Europe, raising prices and creating a demand for Indian products. The Crimean War led to the development of the trade of India in jute and oil seeds. The American Civil War and the consequent cotton famine in England developed an enormous trade 'in the somewhat hitherto despised India cotton.' It was during this period that there was improvement in oceanic transport. The Suez Canal was cut in 1869. In India internal transit duties and customs duties on inter-portal trade were done away with by the middle of the century. Inter-provincial trade was absolutely free by 1848. India was opened up by means of roads, railways, telegraphs, cables and the new steamship routes. Lord

9. Knowles, *Economic Development of the British Overseas Empire*, p. 14.

Dalhousie linked the interior of each province to some convenient port—Bombay, Calcutta or Madras. Food grains and raw materials were easily carried to the ports and then shipped off. After the Mutiny the construction of railways was begun in earnest. By 1862, there were 2,460 miles available for traffic; in 1870, 4915 and in 1871, 5262 miles. " If on a moderate computation we assume ten miles on each side of it as brought within its reach, the total served by the railway system represented an area of 105,240 square miles."[10] In March 1870 Bombay was in communication with Europe by cable. The cable from Madras to Penang and Singapore was opened in January 1871. Madras was linked to Australia by cable in October 1872. The Port Trust formed in 1870 had under its aegis the major ports of the country.

The development of communications, internal and external, reduced transport charges and also had a steadying influence on the price structure. "It is a well known fact that silver has fallen considerably in value since 1873; and, under ordinary circumstances, we should have expected that the prices of the principal commodities in India would have risen in the same proportion. The cheapening of the cost of carriage has, however, been so great as to neutralise almost wholly the rise in prices, and the consequence is that the prices of food grains during recent years are slightly, if at all, in excess of the prices in 1873".[11] The fluctuations in prices, especially of food grains, diminished and the price of goods tended to approximate all over the country. It must not be forgotten that while railroads and other means of easy communication lessen the danger of local famines, they also tend to widen the area in which high prices prevail. "The roads and railways have done for the provinces of India what the sea did for England. They have rescued them from absolute dependence upon the local market; they have overcome the immobility of grain; and they have lifted from village the

10. P. Ray, *Foreign Trade of India since* 1870.
11. S. Srinivasa Raghava Ayangar, *Progress of Madras Presidency during the last forty years of British Administration*, p. 189.

never-absent apprehension of death by starvation. Even though the surrounding fields are burnt up and desolate, there is now-a-days food to be had, and it can be bought in abundance by those who have the means to do so. The term 'famine', which is still applied in India to a harvest failure, is now an anachronism and a misnomer. The true meaning of the word 'famine' (according to the Oxford Dictionary) is 'extreme and general scarcity of food'; this pheomenon has entirely passed away. Widespread death from starvation, which the word may be held to connote has also ceased. Death from starvation is indeed extremely rare even in those tracts which are officially described as famine striken. 'Famine' now means a prolonged period of unemployment, accompanied by dear food, and thus is undoubtedly an economic calamity which inflicts great hardship upon the working classes of India as it would in any country."[12]

This tendency towards equalisation of price level was also partly the outcome of the following set of causes. A uniform rupee coinage was introduced throughout the country in 1835, and government paper currency in 1862. Law and order was established in the country, and uniform codes bearing upon commercial and business transactions were also put in force in 1854; the foundation for an effective postal system was laid by the introduction of postage stamps, which were cheap and uniform for the whole country irrespective of distance. By 1857 India was provided with a telegraphic communication over a distance of 4555 miles.

IV.

Suez Canal.

Before the canal was cut the Peninsular and Oriental Steam Navigation Company had constructed a railway from Suez to Alexandria to accelerate the carriage of mails. The opening of the Suez Canal greatly increased the importance of the Mediter-

12. Theodore Morison, *The Economic Transition in India*, pp. 20-21.

ranean, for it became the most convenient highway from Europe to India and the Far East. "Britain, above all, though it had consistently opposed the French scheme to pierce the isthumus of Suez, benefited most from this new waterway both commercially and strategically."[13] It was only after the canal had been opened that the idea of the Mediterranean as the 'vital route', 'life line', and 'jugular vein' of the Empire took shape. The Mediterranean, which in its early history was the route of a 'lake-land' world became primarily, part of a route of extra-Mediterranean importance. The Mediterranean Sea became the shortest route from Europe, and the monsoon lands of Asia, 'under contrasted conditions of climate and the densest population of the world,' became great potential markets.

The Suez Canal revolutionised Indian trade with the Western Countries. The canal shortened the distance between Indian and western ports, saved time, made the voyage safer and less costly. There is a saving of 45·62 per cent in milage between Karachi and London via Suez instead of by rounding the Cape. The shortening of the distance between India and England can be clearly appreciated if we note that it is no longer necessary to make a detour round the continent of Africa. The new route economised time. It reduced the voyage to a fortnight from ninety days. This saved interest on capital and insurance rates. The canal gave an impetus to the use of steam and this in turn considerably reduced time and risks. (There was the difficulty of the passage of sailing vessel through the canal without towing and the especial danger in the event of a gale or a headwind. The sailing vessel also suffered from an economic incapacity to bear the heavy tonnage.) A steamer on an average made three voyages to every one made by a sailing ship.

The canal increased the total quantum of foreign trade of India. The percentage of imports carried through the canal was much greater than that of the exports. The reason was that

13. Gordon East, *The Mediterranean Problem*, p. 60.

Indian exports of opium and other goods to China, Japan, Ceylon and the Straits, Australia and other countries lying eastward of the canal constituted an appreciable portion of the total Indian trade. The canal stimulated in particular the large export trade in wheat from India, which was unknown, commercially, previous to the year 1869. The route round the Cape involved passing through the tropics twice and the wheat could not be delivered in good condition. Commodities like raw cotton, rice, jute, tea and coffee were exported round the Cape before the opening of the new route, and, except for tea and coffee continued to take that route, for some time even after the opening of the Suez. This was due to the high steamship freight rates and canal dues during the seventies. But the reduction in sea freights, which became specially marked in the eighties and continued throughout the nineties (to a certain extent canal dues also diminished), encouraged the use of the canal for less valuable and bulkier goods. From 1880 several European countries started subsidizing their steamship lines. "France started the elaborate bounty-system in 1881, and was followed in 1885 by Germany, Italy, Austria Hungary, Japan, Russia, Denmark, Spain, Belgium and the United States, all of whom adopted some forms of State encouragement to national mercantile marine. . . . ."

The Suez Canal had a great effect in altering the direction of Indian trade. European countries began to import direct from India. Whereas in 1871, £30,000,000 worth of goods was exported to England out of a total of £ 57,000,000, in 1887 the values were £ 25,500,000 out of £ 66,000,000 and in 1900 £ 22,500,000 out of £ 78,000,000. The canal reduced the importance of England's geographical position for re-export trade. Also some of the important staples of Indian export were more adapted to the requirement of less advanced countries than England. But trade with Britain did not really diminish, for India received two thirds of her imports from Britain in 1900.

As most of the imports into India were partly or completely manufactured goods, they were less bulky than raw materials

and they made use of the canal route in preference to the Cape route from the very beginning. Of the imports into India in 1875-76 as much as 69·02 per cent came through the canal. This percentage with slight fluctuations increased in 1880-81 to 76·80 per cent in 1886-87 to 79·13 per cent, and in 1893-94 to 80·85 per cent. During the first half of the nineteenth century the industries that were affected by foreign competition were the Dacca muslin industry, the Bengal silk manufacturing industry and the Bombay and Bengal shipping industry. The opening of the Suez Canal temporarily depressed the coal industry. Though the production of Indian coal began to increase after 1875-76, the import of foreign coal was also increasing steadily. This was chiefly due to the extension of railways in India which were most of them unfavourably situated as regard the Indian coal fields. 70 per cent of coal imports into India were taken up by the Bombay Presidency.

All imports were cheapened, and particularly the iron and steel machinery and railway plant, which together formed one of the largest items in the import trade of India and on which transport freights were heavy. India was thus able to obtain her modern equipment on cheaper terms than before.

Trade was not very brisk in the closing years of the nineteenth century even though Indian tariff policy was one of free trade. This was due to the general trade depression in Europe, bank collapses in United States and Australia, the war between China and Japan and the violent fluctuations in India's foreign exchange.

V

We have seen how the opening of the Suez Canal and the development of communications within and outside India shoved the Peninsula into the vortex of international trade. The decay of peasant industries consequent on world wide economic changes was not peculiar to India, but had occurred in all areas affected by the Industrial Revolution. The rise of capitalism or

industrialism everywhere resulted in rural depopulation and decay of handicrafts. In England the decline of cottage industries was due to the growth of large-scale production within the country. The small-scale hereditary industries in the Continent were first adversely affected by the Industrial Revolution in England. Later, they were protected, planned and retained to supplement the agricultural industry. This was done with a view to secure balanced economy. In India the decline of the centuries-old hand-spinning of cotton and, of the small scale metal, mineral and artistic industries is directly attributable to the competition throughout the nineteenth century from the growing machine industries of the west.

During the Company's rule in India, Great Britain protected and encouraged her industries against Indian competition.[14] Later when Indian industries could not vie with machine made goods, Indian economy was shaped to supply raw materials to, and buy manufactured goods from, the industrialised west. No attempt was made to foster the indigenous industries. The defence put up for such a negative policy was found in the theory of Free Trade. The historian Wilson says, "The history of the trade of cotton cloths with India affords a singular exemplification of the unpracticability at all times and circumstances of that principle of free trade which advocates the unrestricted admission of a cheap article, in place of protecting by heavy duties a dearer one of home manufacture. It is also a melancholy instance of the wrong done to India by the country on which she had become dependent. It was stated in evidence that the cotton and silk goods of India up to this period could be sold for a profit in the British market at a price from fifty to sixty per cent lower than those fabricated in England. It consequently became necessary to protect the latter by duties of seventy and eighty per cent on their value, or by positive prohibition. Had this not been the case, had not such prohibitory duties and decrees existed, the mills of Paisley and of Manchester would have been stopped at

14. P. J. Thomas, *Mercantilism and The East India Company.*

their outset, and could scarcely have been set again in motion, even by the power of steam. They were created by the sacrifice of the Indian manufacture. Had India been independent, she would have retaliated; would have imposed preventive duties upon British goods, and would thus have preserved her own production industry from annihilation. This act of self-defence was not permitted her; she was at the mercy of the stranger."[15]

A.K. Connel observed in the J.R.A.S. June 1885: "Whenever any outsider is venturesome enough to criticise the economic effects of the policy pursued by the Indian Government during the last thirty years in its vigorous efforts to develop the resources of India, the official apologist always takes his stand on the one undisputable fact of the rapid increase of the foreign trade". During the last twenty years of the nineteenth century Indian publicists were not sure whether the increase in foreign trade[16] was an unmixed blessing and whether free trade was the best fiscal policy. They viewed with apprehension the destruction of Indian handicrafts, the popularity of imported consumption goods and the excessive dependence on agriculture.

Lala Muralidhar speaking at the Nagpur Congress in 1891, cried out "Look round, what are all these chandeliers and lamps, and European made chairs and tables, and smart clothes and hats, and English coats and bonnets and frocks, and silver-mounted canes, and all the luxurious fittings of your houses, but trophies of Indian misery, momentoes of Indian starvation. Every rupee you have spent on European made goods is a rupee of which you have robbed your brethren, honest handi-craftsmen who can now no longer earn a living." Pandit Malaviya in 1893 at the Ninth Congress asked: "Where are the weavers, where are those men who lived by different industries and manufac-

15. Wilson, *History of British India.*

16. Both import and export trade were financed by foreign capital. And the exchange of goods between India and the rest of the world was a transaction which greatly profited foreigners. The plantations were owned and managed by foreigners.

tures, and where are the manufactures which were sent to England and other European countries in very large quantities year after year? All that has become a thing of the past. Every one sitting here is clothed in clothes of British make-almost every one-and wherever you go, you find British manufactures and British goods staring you in the face. All that is left to the people is to drag out a miserable existence by agricultural operations and make infinitesimal profit out of the little trade left to them. In matter of the services, in the matter of trade, our people are not enjoying one hundredth part of the profit and gain which they used to enjoy fifty years ago. How then is it possible for the country to be happier?"[17]

Lecturing on Indian Political Economy in the Deccan College Poona, in 1892, Govind Ranade pricked the Free Trade baloon at many points. "The differences in favour of temperate regions are all modern growth, due to the employment of steam machinery and the abundance of cheap iron and coal. This is a real advantage and has to be faced, but if it can be faced, there is no natural incongruity in an arrangement by which industry would return to its ancient home with a double saving in time and cost."

"Neither Mr. Smith nor even Mr. Mill recommends absolute freedom in such matters. Adam Smith was a *fair* trader and he distinctly recognise an exception to the general rule of free trade, where time is required to see whether new industries are or are not adopted to the natural resources of new countries."

Dadabhai Naoroji, the doyen of Indian economists, commenting on the abolition of the duties on cotton said, "Free Trade between England and India in a matter like this is something like a race between a starving, exhausted invalid, and a strong man with a horse to ride on. Free trade between countries which have equal command over their own resources is one thing, but even then the colonies snapped their fingers at all

17. B. Sitaramiah, *History of the Indian National Congress*, pp. 67-68.

such talk. But what can India do? Before powerful English interests, India must and does go to the wall. Young colonies, says Mill, need protection. India needs it in a far larger degree, independent of the needs of revenue which alone have compelled the retention of the present duties. Let India have its present drain brought within reasonable limits, and India will be quite prepared for free trade. With a pressure of taxation, nearly double in proportion to that of England, with an income of one fifteenth, and an exhaustive drain besides, we are asked to compete with England in free trade."[18]

Later in the twentieth century the Indian Industrial Commission explaining the backward industrial position of India said. "The political and economic conditions of India have created a large export and import trade; and this has brought about the present industrial position."

We have seen in the above pages how the free flow of foreign manufactured goods, helped by the political subordination of India, killed many of our cottage industries. It was also not a little responsible for the delay in the development of large-scale industry in India.

18. D. Naoroji, *Poverty and Un-British Rule in India.*

INDIAN RAILWAY FINANCE

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The importance of Indian Railway Finance is rather inadequately appreciated in the country. The average man's interest in the Railway Budget does not seem to go beyond such questions as increase in fares and freights, surcharge etc. That is because he does not realise the intimate relation between the Railway Budget and the Central Budget, and between these and the Provincial Budgets. If he were told that upon the prosperity of Railway Finances and upon their ability to contribute to the general revenues of the country would depend, to some extent, the amount of taxes he may be called upon to pay he would take a more lively interest in the working of our railways.

The remarkable activity of the various Provincial Governments after 1937 diverted the country's political interest very largely to the Provincial sphere, and this fact also is responsible for the unfortunately diminishing interest evinced in the doings of the Central Government. Even in the affairs of the Central Government the more colourful pages of the Central Budget overshadow the efforts of the Railway Member.

The Indian Railway Budget reveals the position of a colossal State undertaking into which an immense amount of capital has been sunk. It has a direct and important bearing upon the budgetary position of the Central Government. The Provincial Governments have an indirect, nevertheless material, interest in the recovery of Railway Finance. Indian railways are for the most part state-owned, and the total investment in them stand approximately at 760 crores of rupees. Under the new constitution by virtue of the Niemeyer Award any increase in the allocation to the Provinces of receipts from income tax will depend upon the improvement of the financial position of Indian Rail-

ways, and their ability to resume contributions to Central revenues. When Provincial autonomy is working normally it is easy to imagine the relief that recovery in railway finances will bring to the Provincial Finance Ministers, harassed by the necessity of sacrificing revenues in the execution of their policies in fulfilment of election pledges and worried by the even more unpleasant necessity to pile up new taxes to fill the gap between increasing expenditure and diminishing revenues.

The financial relationship between the Central Government and the Provinces is largely based upon the assumption that the Railways will yield a net surplus of revenue. In 1932 Percy Committee anticipated that an amount of 5 crores will be received from this source. Sir Otto Niemeyer's findings regarding the distribution of residual taxes on income as between the Federation (the Centre) and the Provinces were also based upon "the extent to which Railways move towards attaining a surplus". According to his recommendation, during the first 5 years of federation proceeds of income tax available for distribution to the Provinces were almost directly correlated with General Budget receipts from Railways. If to-day the Provinces are receiving any contribution from the Centre, it is mainly because the Railways have been *made* to yield a surplus by exempting them temporarily from the obligation to repay loans taken from the Depreciation Fund. The accumulated arrears of Railway contribution to the General Revenues may be adjusted to suit political exigencies or financial convenience; but we cannot contemplate the cancellation of the loans due to the Depreciation Fund without peril to the solvency of Indian Railways as a commercial undertaking and without endangering the efficiency of our internal transport system, upon which depends ultimately the country's economic progress.

At this stage it is necessary to examine the present liabilities of Indian Railways to the Central Exchequer. Until the year 1924 there was no separate Railway Budget. The Railway Budget formed a part of the General Budget of the country. In that year it was separated and the Railway budget began its career

of independent financial existence. Under what is usually called the Separation Convention then established the railways were required to contribute to the General Revenues an amount equal to one per cent on the capital at charge on commercial lines plus one-fifth of the surplus if any, after deducting the loss on strategic lines. The Niemeyer Award and all previous discussions and decisions on the subject of Indian Railways were based on the assumption that Indian Railways were a prosperous undertaking and that the state, as the proprietor, is entitled to a contribution from their profits.

But these ideas have had to be abandoned. With the onset of the depression in 1930 receipts fell away sharply and railway earnings declined alarmingly. The rise and development of motor transport made further inroads into the volume of railway traffic. The position was radically altered. Instead of being able to contribute to the General Revenues the Railways were compelled to postpone their current liabilities and draw on their reserves. Between 1931 and 1937 they were enabled to meet interest charges on capital by draining out the Reserves Fund, by suspending contributions to the General Revenues and by borrowing heavily from the Depreciation Fund.

The cumulative total of loans from Depreciation Fund and unpaid contributions to the General Revenues began to assume colossal proportions. The prospect of an immediate or early improvement in the position was receding. In the year 1937, therefore, it was proposed to write off these liabilities and start the year with the proverbial clean slate. The proposal met with considerable opposition from many directions in the Assembly and had to be modified. The Railways were given a three-year moratorium on the amounts due to the Depreciation Fund and the General Revenues. Exempted temporarily from the obligation to repay these arrears, the Railways were able to show a surplus, which was paid into the General Revenues. But even this has only enabled the payment of rather less than half the annual contribution.

The moratorium expired at the end of March, 1940, but until the outbreak of the War the Indian Railways were not much

better off than they were even in 1937. On April 1, 1940, the accumulated obligations of nearly 10 years to the Depreciation Fund and the General Revenues amounted to the sum of 67 crores or 8·8 per cent of the capital at charge of all State-owned lines.

After a fairly long run of lean years, Indian Railway Finances appeared to turn the corner in 1936-37. Although the Budget Estimates for that year anticipated a huge deficit of 344 lakhs, the revised estimates provided for a surplus of 15 lakhs. But the final accounts closed with an astonishing surplus of 121 lakhs, mostly due to the boom conditions that developed towards the end of 1936. Under the Convention then in force the whole amount was utilised for the repayment of part of the Railways' debt to the Depreciation Fund, of amounts withdrawn in previous years to meet deficits. The General Revenues received no benefit from the surplus.

The Budget Estimates of 1937-38, however, did not presume that the improvement represented a permanent increase in the volume of traffic. In fact the Railway Member was inclined to attribute a large part of it to such temporary factors as fears and anticipations of war and budgeted for a modest surplus of 15 lakhs. The actual surplus was 276 lakhs. Ordinarily the surplus should have been utilised for the repayment of loans taken from the Depreciation Fund in previous years. But permission of the Legislature was obtained to defer these payments, and the entire surplus was paid to the General Revenues in part payment of contributions under the Separation Convention.

The hopes of general recovery produced by these figures, however, were not realised. The boom proved abortive. The Estimates for 1938-39 were framed on what then appeared to be cautious and conservative lines; even so the actuals revealed a deterioration rather than an improvement. Budgeting for a surplus of 2½ crores the Railway Member said that he "endeavoured not to be too pessimistic". In spite of the prevailing uncertainty in the general trade conditions and the international situation he did not anticipate any falling off in receipts as

compared with 1937-38. Although the anticipations were realised in total, there were considerable variations from the Estimates. Goods earnings went up, while passenger receipts declined. The expenditure exceeded estimates by one crore. The net result was a reduction in the anticipated surplus for the year from 256 lakhs to 205 lakhs. The entire surplus was to be paid to the Central Revenues. But on account of increase in working expenses and short-fall in receipts below the revised estimates the year ended with an actual realised surplus of 137 lakhs only. It was disappointing, and Government had to take refuge under every make-shift arrangement provided in the previous years. The entire amount went to the General Revenues although it was inadequate to meet the full contribution due under the Separation Convention of 1924. By virtue of the Niemeyer Award provincial revenues received the benefit of the surplus. Fortunately the depreciation charges were fully met; but nothing could still be done to repay the old borrowings from the Depreciation Fund.

For the year 1939-40 the Railway Member budgeted for a surplus of 213 lakhs. Up to the outbreak of War it seemed unlikely that the estimates would be realised. In consequence, however, of the substantial recovery in both goods and passenger earnings in the months immediately preceeding the war and even more after its declaration, estimates of earnings were revised upward by nearly three crores. Working expenses also increased, but the net result was the revision of the surplus to 361 lakhs —the highest surplus for a decade. Even this is short of the full contribution to the General Revenues by about 90 lakhs. Apart from accumulated arrears of contributions, unpaid borrowings from the Depreciation Fund alone amount to 65·4 crores. "We are not in a position to do anything to reduce this figure", was the sad confession of the Railway Member. It is the cumulative result of factors operating over a long period—the economic depression, the inroads made by road transport into passenger and goods traffic and the concessions made to labour on the railways.

Estimates for the year 1940-41 naturally involved larger elements of speculation on account of the unprecedentedly

abnormal times. In framing estimates it was assumed that earnings would be better by about 75 lakhs. At the existing railway rates the surplus would be about 3 crores—insufficient to meet the normal annual obligations, much less to pay off 90 lakhs that was carried over from the accounts of 1939-40. Goods and passenger rates were, therefore, enhanced in order to yield an extra revenue of 5¼ crores. After making provision for increased working expenses and heavier demands on track and rolling stock a surplus of 8·29 crores was left. After paying full contribution to General Revenues for the year and deficit in the contribution for 1939-40 a payment of 2·98 crores was made to the Railway Reserves. The Railway Member admitted "the melancholy fact" that the Reserve Fund of this gigantic state railway system has only the contemptible sum of 48 lakhs in it—much less than a fifteen-hundredth part of its capital at charge. It reveals the fundamentally unsound basis of the Railways as a business undertaking, and is an additional reason for disquiet. The Railway Member's speech, however, opened with the assurance that "the immediate financial position of the Railways is better than it has been for many years", and closed with the hope that the next year would be an even better year.

The revised surplus for 1940-41 came to 14·59 crores. Under the Convention 7·15 crores should have gone to General Revenues and 7·44 crores to Railway Reserves. In the meanwhile the mounting war expenditure of the Central Government had made their position rather uncomfortable. In order to assist them a part of the 7·44 crores that should have gone to Railway Reserves was transferred to General Revenues, sufficient to make the contribution to them 9·96 crores in 1940-41.

For the current year, 1941-42, the surplus has been estimated at 11·83 crores which is 2¾ crores less than the revised figure for last year. Under the Convention with the moratorium still in force, out of these 6·14 crores are payable to General Revenues. But on account of the special needs of the General Budget it is proposed to raise the contribution to 10·18 crores, with, of course, a corresponding diminution in the allocations to reserves. At

the end of the current financial year the balances at the credit of the funds will be

Railway Reserve Fund	5·77 crores.
Depreciation Fund	41 crores.

The most obvious conclusion that strikes one after a survey of the finances of Indian Railways is that they have ceased to be the sound and prosperous undertaking they were presumed to be by successive investigators. The structure of the Central Budget, the finances of the Central Government, the financial relationship between the Centre and the Provinces and indirectly even the Provincial Budgets themselves, are largely based and dependant upon that important presumption and the ability of the Railways to contribute to General Revenues. And if this presumption has lost its validity (as the foregoing survey has proved) the entire policy based upon it will require reconsideration. Percy Committee's Report and Sir Otto Niemeyer's findings regarding the distribution of taxes on income between the Centre and the Provinces, in fact the entire financial relationship between the Central and Provicial Governments and the ability of these Provincial Governments to maintain their finances in a solvent condition and meet the increasing demands of social services (commonly known as nation-building services), all rest on one foundation—that the Railways will be able to earn a surplus and contribute a fixed proportion of it to the General Revenues.

We have seen how these expectations have been falsified. Whatever justification there might have been some years ago to regard the Railways as a prosperous concern, in the vastly altered conditions of to-day we have become apprehensive of their ability to maintain bare solvency. Experience of the past ten years and more has demonstrated two facts—that in normal times after making provision for depreciation and reserves there would be nothing left as contribution to General Revenues, and that this contribution could be made in full only in years of extraordinary prosperity. On the other hand in lean years (and they occur fairly frequently) it has been found impossible to make adequate provision even for depreciation. Even in the most

prosperous years nothing substantial could be done in order to reduce the colossal arrears of contributions, so that even if the Railways had a run of good years their ability to wipe out the outstanding accumulated obligations is highly problematic.

On account of the environment and the powerful influences that surround Indian Railway Finances they are in a most unenviable position. In a year in which the Railways earn only just enough to make the ordinary allocation for depreciation and reserves, if the Finance Member's difficulties in balancing his Budget are sufficiently great and if he cannot gather enough courage to impose additional taxation (or if the political situation in the country makes it unwise to do so) his simplest expedient would be to persuade the Railway Member to set aside nothing for current depreciation and to place the entire amount at the disposal of the Central Budget. On the other hand in another year if the Railway earnings are greatly in excess of current provision for depreciation the whole of the surplus may still have to be handed over to the Finance Member and no attempt made to repay the arrears due to the Depreciation Fund. Therefore, except in a year of phenomenal prosperity it seems extremely unlikely that the Railways will be able to meet their quadruple obligations, namely, make current provision for depreciation, repayment of loans taken from Depreciation Fund in previous years, make current contribution to General Revenues and wipe out the arrears of contribution accumulated in the past. And from our experience of the past 15 years we know that such exceptional times do not occur oftener than about once in ten years. If these observations are warranted by facts—and no student of Indian Railway Finance can dispute them—the conclusion is irresistable, that these obligations are far too heavy for the railways to bear and that they must be relieved of at least some of them.

The railways must be viewed as a commercial undertaking, whose primary obligations are to themselves; and it is the anxiety, nay the necessity, to treat them as a business undertaking and ensure their financial solvency that dictated the separation of

Railway Finance from the General Finances of the country. Unfortunately the full advantages of the Separation could not be realised on account of the conditions that were tacked on to the Convention. Whatever validity they may have had in 1924 they have now become thoroughly outworn and completely inapplicable to the vastly altered conditions of to-day. The Separation has been found to be difficult of operation, and after 1929 it has almost completely broken down. It should be replaced by a more reasonable and workable relationship between the Railways and the State.

The first question to decide is, should the Railways be considered a self-contained commercial internal transport system whose main obligations are to operate efficiently and economically and to maintain financial solvency, or should it also be considered as a source of revenue to the State and be obliged to contribute to the finances of the Central Government? The latter theory has held the ground for a long time; but its soundness is being seriously assailed. At any rate its operation has resulted in a very loose relationship between the State and the Railways, a relationship in which mere financial convenience and political expediency have overruled correct principles of railway management. It has undermined the financial solvency of this gigantic undertaking, drained out its Reserve Fund and left the Railways with an emaciated Depreciation Fund. It is no answer to say that the Railways are State property and that if the necessity arose the State would help the railways, when they really ought to stop piling obstacles in the path of railways helping themselves.

On other grounds also railway contribution to the General Budget is open to serious objection. It is a form of indirect taxation which is bound to find favour with a Government constituted as it is to-day. It suits them most eminently, because ordinarily it escapes computation. Its incidence is unknown. We do not know on whom it falls finally or who pays it ultimately.

Further the obligation to contribute to General Revenues forces the railways to raise freights and fares or keep them at a

level at which they lose traffic to competing methods of transport, roads and waterways. The railways themselves were recklessly constructed under the Guarantee System with no thought for economy. The high cost per mile of Indian Railways is well known. In presenting the Railway Budget for 1940-41, the Railway Member himself had to admit that Indian Railways "are to some extent over-capitalised." Ordinarily an over-capitalised railway must charge higher freights and fares, and when you impose upon it the additional burden of contributing to the revenues of the State it is forced to screw up freights and fares still higher. It is difficult to say to what extent these factors have retarded the economic development of the country; but it is generally admitted that the comparatively high railway freights charged in India are a serious handicap to the development of industries and expansion of internal trade.

There are two conclusions that emerge from our examination of Indian Railway Finance—that it is disquietingly unsound and that this unfortunate condition is largely the result of the operation of the Separation Convention. The Convention has never worked satisfactorily. It should be scrapped, or at least its terms should be drastically altered in the light of experience. The accumulated arrears of contribution to General Revenues should be written off and the Railways should be freed from the obligation to help the Central Budget. Such help should depend entirely upon their ability to render it, upon the surplus that may be available in the normal manner after taking care of their primary obligations to themselves and the paramount necessity to ensure financial stability and operating efficiency and economy. In any event the Railways should not be called upon to make any contribution to General Revenues until they have repaid in full the borrowings from the Depreciation Fund and until they have succeeded in accumulating a reasonably adequate Reserve Fund commensurate with the size of this gigantic undertaking and the immense capital sunk into it. A country that desires to make big strides in economic progress and industrial development cannot afford to imperil the efficient working of its internal transport system.

INTER-RELATIONS BETWEEN POLITICS AND ECONOMICS

By

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Economic and political theory are two closely related subjects but for the most part they are studied quite separately and almost as if they had nothing to do with each other. The traditional teaching of both subjects has tended to create a divorce between them rather than to emphasize their interconnection. The divorce is due to the economic and political conditions existing at the time when theories of both economics and politics took shape and acquired their present characteristics. In the nineteenth century the academic theories in both fields were conceived in terms of a situation in which the State was continually warned to keep out of the economic sphere. Politics and economics were regarded as each having its own laws, appropriate to its sphere of action.

In the modern world the lines of demarcation between these sciences, even to the extent to which they really existed in the nineteenth century, have completely broken down. The problems of to-day are said to have their economic and political aspects, the one distinguished from the other only for purposes of theoretical study. Political methods and devices are now recognized as a means of handling economic issues, while it is almost impossible to find any economic question which does not involve a considerable exercise of political activity.

There is no real purpose in keeping economics and politics in watertight compartments, for in both theory and practice they originate in a common source and proceed towards a common end. Each of them deals with the system by which men conduct their business of living together in social groups, and hence it is that things political have an economic and things economic have

a political aspect. The task of men in society is to construct for themselves economic and political systems which will promote the common weal and the art of living together.

History has shown that civilized societies are divided into economic groups according to different kinds of occupations and property-rights, that forms of government are largely determined by various types of social configuration and that politics is largely concerned with conflicts among the economic groups. In any interpretation of history there is bound to be vagueness, for in dealing with human affairs we are confronted with intangibles and imponderables not susceptible of exact measurement and analysis, or as Bacon puts it, "The subtilty of nature exceedeth many times over the subtilty of argument". The attempt to enclose the whole drama of human history in a single formula was given up long ago. We cannot reduce history to pure mechanics and we cannot altogether escape from the charge of vagueness, uncertainty and even inconsistency. It is not given to us to make discoveries on a par with Newton's discoveries in Mathematics or Darwin's in Biology. But those considerations do not invalidate a study of historical causation or an investigation into the proper place of economics and politics in the rise and fall of states.

Political science with economics left out is unreal and economics bereft of political science becomes arid formalism. Given a stage of civilization and the ruling political ideas it is possible to discover the economic system. Given an economic system it is possible to sketch generally the prevailing political ideas. In India we are trying to reconcile an advanced political apparatus with a more or less mediaeval economic pattern. We cannot make any statesman-like decision in politics without taking into account the known economic relevancies. But economic backwardness should not be made an excuse for political obscurantism. Neither should the abstractions of our social sciences be mistaken for the entire reality. In the study of Economics we used to be shocked by that favourite abstraction of the classical writers now happily given up—namely the "economic man" who is supposed to pursue his interest warily,

efficiently and with single-minded fervour. The fiction of the economic man was given up because it ascribed to man far more of intelligence than he has ever showed in the disposition of his private and public affairs and far less of goodness than he is wont to show in his private and public life.

The development of Bolshevism in Russia, the rise of Fascism in Italy, the eruption of Nazism in Germany, the appearance of the New Deal in the United States or the movement for Swaraj in India cannot be explained on political grounds alone. In a sense they may be taken as the political manifestations of economic conditions and economic ambitions. They illustrate the eternal quest of mankind for an ideal adjustment of political and economic institutions although in practice the path they have chosen may not take them to their goal. James Madison in the Tenth Number of *the Federalist* has shown that in all great societies various interests grow up of necessity, namely a landed interest, a manufacturing interest, a banking interest, a railway interest, a shipping interest, a public-official interest and many lesser interests, and these interests divide society into many different classes each with its own sentiments, views and objectives. The regulation of these conflicting interests with a view to promoting the common weal is the principal task of organized government. To abolish this or that interest is no solution, for, even in an allegedly classless society like the Soviet system there are economic groups and social strata and the old problem of distribution has re-appeared in a new guise.

It is interesting to observe the working of British political institutions, both in the country of their origin and in countries where they are transplanted. Sometimes the institutions flourish in the new countries, sometimes they wither in foreign climes, and at other times they get grafted on the native stock and take a different shape altogether and at the same time prove very useful. For example Responsible Government, an essentially British contribution to the science of government, is by no means an automatic device which can be manufactured to order. Even in Great Britain it could not be successfully worked if it were not

supported by unwritten laws and well-understood conventions. As Lord Bryce has remarked, "The English Constitution is a masterpiece of delicate equipoises and complicated mechanism—it works by a body of understanding which no writer can formulate and of habits which centuries have needed to instil". An apt illustration is the position of the Prime Minister, who wields a power and an influence quite out of proportion to the place he occupies in the strict theory of the constitution. Gladstone said of him, "Nowhere in the world does so great a substance cast so small a shadow". Experience shows that a technique of government which the British people have developed in the course of many generations cannot be set up successfully elsewhere without taking into account the conditions governing its success. But this is not a plea for standing still. It is only a word of caution lest in following the British model too closely we lose sight of our own political institutions or lose faith in them. Politics is ever an art of compromise. It proceeds by adaptation and reshaping and by the method of give and take. A constitution may be ever so perfect on paper and yet it may not work in practice, or again a constitution defective on the face of it may turn out to be a serviceable instrument and broaden out from precedent to precedent.

We live in an era when the old certainties are gone, and new certainties not yet attained. We are hoping and working for a more spaciously planned and more intelligently directed social order. An unhappy feature of the present situation is that the movements which bid most loudly for men's allegiance are hostile to freedom and social justice. Large areas of Europe, once the citadel of liberty, have relapsed into a state little better than barbarism. Men are asked to choose security and renounce liberty. To escape from want and to be assured of employment they must be drilled and regimented. In the name of national solidarity the dissenters must be immured in cells, truth must speak with a totalitarian voice, and arithmetic for children must dwell largely on calculations about bombing planes. The contemporary world is torn between contradictory ideologies. Liberal economy versus planned economy, a democratic state versus an authori-

tarian state, national unity versus national uniformity, individual liberty versus collective coercion, these issues are facing the present generation. The solution probably lies in a synthesis of these apparently contradictory elements. The gradual collectivism of democratic states shows how obviously hostile ideas can be reconciled with each other and reveals the direction in which mankind is likely to progress.

The structure of economy in future will correspond more and more to a mixed system in which the principle of free enterprise and the principle of conscious control will function side by side. The mixture of these principles will be different in different countries and it will range all the way from liberal to planned economics. It is a problem of the first magnitude to work out methods for mutually beneficient co-operation between economic systems of divergent types and to switch aggressive national politics from power economy to welfare economy.

The chief problem of our century has been created by the impact of international economics on national politics. Economic and technological changes are forcing mankind in the direction of world-wide integration and interdependence but political antagonisms strongly resist that trend. Technology makes for larger and quicker movements of goods, capital, labour and ideas across frontiers but politics constantly erects walls that restrict these movements. Peoples of the world work at cross purposes, and political nationalism refuses to adjust itself to the internationalism created by scientific advance and technical progress. There is real war between World economics and political nationalism, and there will be no stability and no durable peace till these forces have been accommodated to each other.

THE ECONOMICS OF CHEAP MONEY

By

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In recent years there has been a veritable revolution in the theory of interest. According to the classical theory, the rate of interest is flexible, rising in periods of boom and falling in periods of depression. On account of various causes many authorities now choose to believe in the fixity of the rate of interest. It is since the abandonment of the Gold Standard in England that this new theory is being advocated. On the one hand the cost of Government has been constantly increasing. Debt had to be incurred in order to meet growing expenditure. It was to the advantage of Government if the rate of interest could be lowered and kept always at a fixed level. Edie observes: 'Easy money is a corollary to dear Government!'

In the second place the redistribution of national dividend is advocated by many economists and social reformers. A reduction in the rate of interest would ensure a redistribution of wealth from the wealthier classes to the other sections of the community. If only the rate of interest could be brought down and kept at a low level, a veritable social revolution could be ensured.

In the third place it is considered that the monetary authority should aim at maximum utilisation of the productive resources of the community, and this can be ensured to some extent by keeping down the rate of interest at as low a level as possible. Therefore the fiscal motive, the desire to bring about a better distribution of wealth, and the need to increase the rate of investment with a view to increase employment, all led to the popularity of cheap money.

We can explain the transition from dear money that prevailed in the period 1929 to 1931 to cheap money conditions that have come to prevail since 1932. In 1931, Britain abandoned the Gold Standard, or rather she was driven off gold. So long as she maintained the Gold Standard, there was a necessity to maintain a high bank rate in order to regulate the outflow of gold. If the bank rate had been kept at a low level, the adverse balance of payment that then existed and the withdrawal of funds by foreign depositors would have brought about a larger outflow of gold. But the moment the Gold Standard was abandoned in September 1931, the necessity to maintain a high bank rate disappeared. The government themselves did not approach the abandonment of gold with any preconceived plan of cheap money, rather the government was forced off gold and thereby easy money was tossed into the lap of government. Subsequently the Treasury and the Bank of England jointly pursued deliberately a policy of cheap money to foster economic recovery.

In the case of the United States the Gold Standard was abandoned in 1933. On account of the fall of the prices of farm products, the real burden of debt became intolerable in that country. In order to reduce the real burden of debt the Gold Standard was suspended with a view to raise dollar prices.

There is one similarity between the consequences that ensued on the abandonment of the Gold Standard in both countries. In England the government had a large load of public debt on which interest had to be paid. The fall in prices increased the burden of this debt. The national income contracted a good deal and out of this reduced national income, the government had to secure a good proportion of income to meet its interest obligations as well as to meet its growing social service expenditure. In 1931, about 40 per cent of the national income of Great Britain was absorbed by taxation and interest on all kinds of debt. When Gold Standard was abandoned the fall in the bank rate, followed by a fall in the other rates of interest, came as a great relief. Similarly in America there was a huge debt. This

debt was more private than public. It was the increase in the real burden of this debt that was the cause of the abandonment of the Gold Standard. Thus we are driven to the debt theory of the abandonment of the Gold Standard. This is a particular case of repudiation of debt. The phenomenon of repudiation is old and familiar. The abandonment of the Gold Standard and the consequent devaluation of currency is a case of "monetary debasement in modern dress."

Various advantages have been claimed for cheap money. Firstly it enables the government to resort to debt conversion. This reduces the cost of servicing old debt. Secondly the cost of new borrowing is similarly reduced. So great are these advantages that the idea of a restoration of the Gold Standard of the old type was given up. The governments prefer to stay off gold as a means of guaranteeing cheap money. Thirdly cheap money is likely to stimulate trade and economic activity. Proof of such stimulation is rather difficult to establish; but certainly recovery did occur simultaneously with cheap money. Finally low yields on investment would diminish the income of the rentier classes.

Therefore there is a great desire for perpetual maintenance of easy money under the wing of government control. The old idea that discount rate should be advanced to arrest the boom and should be lowered the moment the boom is brought under control is no longer fashionable. That form of control called for a flexible money rate, cheap money alternating with dear money. Fiscal policy prefers fixity of rates, rather than flexibility of rates.

Great economists like Keynes emphasise the merits of cheap money. They tell us that cheap money is good, that cheap money can be maintained by government permanently and that cheap money is necessary for promoting optimum employment.

It is the purpose of this paper to point out that in the first place the Government cannot maintain cheap money conditions permanently, in defiance of the law of supply and demand. It is also the purpose to show that while cheap money has its function

in stimulating recovery when depression has set in, it may be necessary to raise the rate of interest the moment recovery gives place to boom conditions.

It should not be misunderstood that the writer is an advocate of dear money. There was a case for cheap money in the early thirties; and there is also a case now because of government's need to borrow for financing war. In fact the monetary authorities should have adopted a policy of cheap money earlier than they did. It is not a question of cheap money *versus* dear money. It is rather a question as to when one or the other policy should be pursued. The protest is rather against cheap money being sought to be maintained permanently. There is a time for cheap money and a time for dear money. The time for advancing rates is in the advanced stages of a recovery. What is objected to is the doctrine that a country ought to have easy money all the time. To promise the community easy money even when boom conditions prevail is a dangerous procedure.

If the rate of interest is kept permanently at a low level, various bad consequences follow. In the first place the monetary authority has no power of checking unhealthy expansion of industry, or of controlling speculation. In the second place, an unduly low interest means a bull market for bonds yielding a fixed rate of interest. If financial institutions, like banks and insurance houses, buy these bonds at inflated prices, there would be great capital depreciation when the prices of these bonds should fall consequent on the failure of the authorities to maintain cheap money. It is not possible for them to fix the price of money any more than it is possible for government to fix the prices of any other commodities. The experiments of price control in other directions have not been very successful. Ultimately economic forces would assert themselves and the rate of interest would react to these forces. It is rather curious that even economists should fall victims to the theory that the rate of interest can be maintained permanently at any level the government and the monetary authority choose to fix. The rate of

interest is governed by the law of supply and demand, perhaps more by demand than by supply. At any rate that is the view of the writer. It is sometimes said that the government and the monetary authority can control the supply of money, increase the reserves of banks and maintain cheap money conditions. There is a confusion here between the supply of money and the supply of capital. Undoubtedly the supply of money can be controlled by the monetary authority, but the supply of capital cannot be controlled in a similar way. The amount of capital depends upon the rate of saving, which is decided by the people independently of the monetary authority. There is also the possibility of a reduction in the ability to save consequent on the redistribution of the national income. Even looking at the question from the supply of capital, there is no reason to think that this would always tend to increase.

More important than the supply is the demand which determines the rate of interest, for long-term loans. In the period since 1932, the demand for capital was at a low level and therefore the rate of interest fell. But there is no guarantee that the demand for capital would not increase in future. This school of thought which predicts easy money for a long time to come shows a tendency to take for granted the extreme stagnation of demand as a permanent state of affairs. The demand factor is undoubtedly the more important. The demand for capital is measured partly by the opportunity to employ capital profitably. Big industrial corporations demand more capital, when they believe that increased investment would be remunerative. The demand for capital is measured also by the desire for goods which are not immediately consumed. The demand for houses is a case in point. The demand for capital increased in the period of business expansion, such as that from 1926 to 1929. In a period of slump, as that from 1930 to 1932, demand fell off sharply, and became negative in some cases. Even in the period from 1933 to 1937 demand for capital did not increase appreciably. No wonder the public accustomed to this state of affairs prevailing for a long period, began to believe that the rate of

interest would never rise. But there is no reason why the demand for capital should not increase in the future. It is for this reason that it is contended here that the rate of interest may rise though it may be difficult to say when it would rise. Because of the war conditions governments naturally are interested in keeping down interest rates at low levels. Such a policy would be successful so long as the control is exercised very efficiently in a variety of ways. But there is no reason to think that this policy of cheap money can be maintained by governments for all time, even after controls are relaxed. It is not possible to do away with the flexibility of interest rates. Governments have no power to defy the law of supply and demand in the capital market.

USURY IN ISLAM AND CHRISTIANITY

By

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Indebtedness is to be found in probably every type of society which has attained some measure of economic progress. In its simplest form money or purchasing power is transferred from one person to another with the stipulation that at some later date an equal amount of money or purchasing power be retransferred from the borrower to the lender. For a business man and an agriculturist, of course, borrowing is one of the obvious ways of obtaining the capital which he requires, and indebtedness is thus a universal feature in all undertaking. Although societies in all ages have objected to the practice of usury on religious or other grounds, the payment of interest at the rate of so much per cent per annum on the principal amount advanced continues to exist. The agitation against usury has been carried on by philanthropists and social reformers in several countries. It is said that 'Calvin dealt with usury as the apothecary doth with poison'. With the progress and development of the corporate form of economic organisation credit plays a vital part, and it appears reasonable that a financier deserves some consideration for his accommodation. Let us proceed to examine how the Qurān and the Gospel view the subject of usury.

Islam does not sanction the acquiring of property by unlawful means. "O! Ye who believe! do not eat up your property among yourselves in vanities. But let there be amongst you traffic and trade by mutual good will." (Qurān ch. iv. 29).

References in the Qurān to bribery, dacoity, theft, misappropriation, gambling, and games of chance show that Islam is opposed to these things, for they do not promote honest labour; they

have a tendency to make some prosper at the expense of others. Usury also is prohibited by Islam for the same reason.

As the question of Usury is connected with that of debts and debtors, the Muslims are urged to deal leniently with those who are in financial difficulties. The following quotations may be given with regard to the treatment of debtors:

> "If the debtor is in a difficulty grant him time till it is easy for him to repay. But if you remit it by way of charity that is best for you if you only knew." (CH. II. 280).

"O, ye who believe! when ye deal with each other, in transactions involving future obligations in a fixed period of time, reduce them to writing. Let a scribe write down faithfully as between the parties: let not the scribe refuse to write: as God has taught him, so let him write. Let him who incurs the liability dictate, but let him fear his Lord God, and not diminish aught of what he owes. If the party liable is mentally deficient, or weak or unable himself to dictate, let his guardian dictate faithfully. And get two witnesses, out of your own men, and if there are not two men, then a man and two women, such as ye choose, for witnesses, so that if one of them errs, the other can remind her. The witnesses should not refuse when they are called on (for evidence). Disdain not to reduce to writing (your contract) for a future period, whether it be small or big: it is juster in the sight of God, more suitable as evidence, and more convenient to prevent doubts among yourselves. But if it be a transaction which ye carry out on the spot among yourselves, there is no blame on you if you reduce it not to writing. But take witnesses whenever you make a commercial contract; and let neither scribe nor witness suffer harm. If you do (such harm) it would be wickedness in you. So fear God; for it is God that teaches you. And God is well acquainted with all things." (CH. II. 282).

It will thus be seen that Islam is very lenient towards debtors. The regulations of the Quran regarding business transactions, and the leniency to those in financial difficulties are sup-

plemented by a large number of Traditions. The great concern of the Prophet of Islam for debtors is known in many of his sayings. While the creditor is advised in many sayings of the Prophet to be lenient towards the debtors, the man liable to pay debt also is asked to repay the dues in a liberal manner. The Prophet also discouraged people from being in a state of indebtedness. It is related in a Tradition that he used to pray frequently, 'O Allah I seek Thy refuge from faults and debts.'

It is clear from what has been said above that Islam has great concern for those in distress and the prohibition of Usury is based upon that. The practices of usurers are condemned in the severest terms by the Prophet. The earlier revelations denounced usury without prohibiting it.

"That which you lay out for increase through property of other people will have no increase with Allah. But that which you lay out for charity seeking the countenance of Allah will increase. It is they who will get a recompense multiplied" (xxx. 39).

"O, you who believe! devour not usury, doubled and multiplied; but fear Allah that you may prosper," (CH. III. 129).

Usury was prohibited by the Prophet at a later stage of his career. It is contained in the following verses:

"Those who devour usury will not stand except as stands one whom the Evil One by his touch hath driven to madness; that is because they say: 'Trade is like usury', But Allah hath permitted trade, and forbidden usury. Those who, after receiving direction from their Lord, desist, shall be pardoned for the past; their case is for Allah to judge. But for those who repeat the offence are companions of the fire; they will abide therein for ever." (CH. II. 275).

"Allah will deprive usury of all blessing, but will give increase for deeds of charity, for He loveth not creatures ungrateful and wicked." (CH. II. 276).

"O You who believe! Fear Allah and give up what remains of your demand for usury, if you are indeed believers. If you do it not, take notice of war from Allah and His Prophet. But if you turn back, you shall have your capital sums. Deal not unjustly, and you shall not be dealt with unjustly. (CH. II. 278-279).

According to the verses quoted from the Quran it is clear that there shall be "double punishment for the practice of usury, namely, the loss of God's blessing in this world and the torture of hell in the next." The usurer is compared to a man who will rise on the judgement day in a convulsive agitation of body.

The Traditions* of the Prophet also inveigh against the practice of usury. They denounce not only the usurer but also the person who pays usurious rates of interest, and the witnesses and the scribe in an usurious transaction. There are also a number of Traditions recorded in Bukhari which define with illustrations the various kinds of usurious transactions.

On the Arabic word *ribā,* Lane remarks thus: "*An excess* and an *addition*: an addition over and above the principal sum that is lent or expended; but in the law it signifies an addition obtained in a particular manner: (i.e. usury, and the like; meaning both unlawful, and lawful, interest or profit; and the practice of taking such interest or profit): it is in lending, or in buying and selling, and in giving: and is of two kinds; unlawful, and lawful: the unlawful is any loan for which one receives more than the loan, or by means of which one draws a profit; (and the gain made by such means) and the lawful is a gift by which a man invites more than is to be given to him, or a gift that he gives

* During the life-time of the Prophet Muḥammad (peace be on him) it was the custom that when two Muslims met, one should ask for news (*ḥadīth*) and the other should relate a saying or anecdote of the Prophet. After his demise this custom continued and the name *ḥadīth*, which primarily denoted a narrative or a report, has come to mean, in the Islamic theological usage, the records of the sayings and doings of the Prophet, and is translated in English as *Traditions*.

in order that more than it may be given to him; (and the addition that he so obtains); (it generally means) an addition that is obtained by selling food for food or ready money for ready money, to be paid at an appointed period; or by exchanging either of such things for more of the same kind."

Thus *ribā* is any increase sought through illegal means such as usury, profiteering, etc. The principle seems to be that any profit, we may seek, should be through our own labours, without exploiting other people; But we are also asked in verse 39 of Ch. XXX to avoid not only this wrong but to show our love for our fellow beings and help them by whatever means possible by spending our money or talents for those who need them.

The teaching of the Gospel on the subject of Usury is based on the precept Gospel, "Lend, hoping for nothing again." The prohibition of lending money for gain was first a disciplinary regulation binding only on the clergy, and it was extended to the laity in Western Europe by the capitularies of Charles the Great and the Councils of the ninth century.

Greater attention was given by the clergy to the sin of usury when the study of Roman Law in the west became popular from the 12th century onward. Legislators began to wonder how the Roman code, which was looked upon as the quintessence of human wisdom, could permit taking of any payment for a loan of money and provide means for enforcing payment of usurious rates with the capital. Hence some of the annotators of Justinian's Code concerning usury ignored completely the canon law. But papal legislation had begun to meet the growing evil of usury. The various preaching orders in the 13th century also gave greater impetus to lessen this evil. Attempts were also made to influence the secular authorities of the states to put down the practice of usury and various arguments were put forward to justify the prohibition. Apart from the Gospel precept which was held to be conclusive, the doctrine of Aristotle that "money was itself barren and that therefore fruit or payment cannot be justly demanded for the use of it" was readily grasped by the

people and appears frequently in literature, as in the passage in the *Merchant of Venice* where Antonio taunts Shylock with taking 'a breed for barren metal.' Thus the combined action of Church and State backed up by popular sympathy endeavoured to suppress money-lending for gain altogether and on the whole their attempts were successful.

But from the 15th century, with the growth of trade and the increase of opportunities for investment, money began to have the "characteristics of capital." Money began to represent a force and its owner employed it in many channels to obtain income. Trade found out many ways of using money, the chief of these were the practice of partnership and the purchase of rent charges. No doubt such methods were under the ban of the Church in the 15th century, but so far as wealth was intended to serve as capital and various justifiable methods for the investment of the capital were devised, the prohibition of the Church was gradually withdrawn.

But the original prohibition aimed at preventing the oppression of the weak by the economically strong. The gradual exemption from the prohibition of methods of employing money which did not involve oppression has brought out the original principle more clearly. The indiscriminate use of money is still the source of perpetual social evil. What is safe method for business man and the modern industrialist is dangerous for the peasant. It is still difficult to arrive at any sharp and clear-cut principle by which one can distinguish between the legitimate and illegitimate use of money power. Modern economists and jurists are still seeking to discover that principle.

Thus the teaching of the Gospel and the Quran on the subject of usury appeals directly to the conscience and if it is put into practice will solve most of the economic questions in the present day.

RIGHTS OF THE WORKER

By

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Ever since the epoch of the French Revolution and the War of American Independence, fundamental changes have taken place in the conception of man *vis-a-vis* the State and Society Man came to be recognised as a Citizen possessing certain inalienable rights and not a mere individual with vast obligations to Society. The right to life, liberty, the pursuit of happiness; acquisition, possession and protection of property; reputation, and the unfettered enjoyment of the gains of man's own labour—these are now widely recognized in the constitutions of several States. Such constitutions guarantee certain mean for protecting these rights and prohibit certain measures that violate them. But it has also been admitted that rights are relative and not absolute.

These cherished rights of a century and a half, however, have been seized by force from a ruling class to whom the doctrine of natural rights for the common man was an anathema. Those rights became revolutionary principles, in the name of which Governments were overthrown and fresh ones reinstated. These formal rights, while overthrowing the cherished privileges of feudalism, actually strengthened the growing inequalities of capitalists and workers. The history of the movement which aimed at establishing the rights of the common man, and especially the worker, has been one of the glorious chapters in the annals of man. Thanks to the indefatigable efforts of leaders of thought and labour organisations, both national and inter-nation-

al, the worker has been slowly but steadily emancipated from the clutches of capitalism. The workers' right to work, decent life, safety and security, leisure, enlightenment, organization and reasonable enjoyment of the fruits of production—all these have now been recognized by most governments and enlightened public opinion.

THE UNFREE WORKER.

The rights which the labourers enjoy to-day in all progressive countries are, indeed, phenomenal when viewed in the light of the workers' plight in ancient and medieval times. In most of the states of the ancient world the worker was a slave. The worker under primitive slavery was regarded as the property of his master. In Roman Law a slave was regarded not as a person but as a thing. Slavery continued down to modern times. In England the slave trade was abolished by Statute in 1807 and in the British Colonies in 1833. This example was gradually followed up by other States. Slavery is now almost extinct except in certain parts of Africa and Arabia. Another degree of unfreedom was the serfdom or villienage, which was concerned only with certain relations, generally economic in character. The peonage system of Mexico was abolished only in 1917. Another stage, which may be designated as 'the master and servant', emerges gradually from the more liberal forms of servile contracts, although retaining vestiges of servile relations. Some of the contracts of this stage have continued down to the present day, while others such as apprentice-ships, indentured service, contract labour and the padrone system can hardly be distinguished from the servile stage. The emancipation of the worker from all these unfree conditions of work has been one of the landmarks in the chequered history of labour problems.

RIGHT TO WORK.

Of all the rights inherent in the emancipated worker, perhaps the most cherished one is the right to work.

The demand for this right has been an ancient one. It was voiced even in the Middle Ages. The Soviet Constitution of 1936, has granted the right to work of all Russian citizens. Unfortunately, the apparently inexorable laws of capitalist economy perforce drive a considerable section of the working classes to a state of unemployment. But, it should be possible to find out remedies for this malady without entailing a radical change in our social and economic structure. Unemployment can be mitigated by a proper control of both investment and consumption. By international co-operation and by the wise adjustment of our national finances, unemployment could be tided over. Only in a world governed by economic lunacy could it be possible for many millions of people to live lives of semi-starvation and unemployment, and several lakhs of poor wretches to die of starvation every year as in China, because States will not organize access to the natural resources of the world. Similarly, until internationalism will have reached a stage when international trade would be controlled by the Economic Council of a powerful League of Nations, it is criminal of any country to neglect to develop to the utmost its own natural resources, and to leave its population to shift for themselves on the precarious circumstances of foreign markets. The International Association of Unemployment—organized in 1910—should get more support from all States. Provision of insurance against unemployment and under-employment should be made in every country. Labour should be accorded ready access to credit, particularly for the co-operative acquisition of land. Employment bureaus established by workers should be subsidised by States.

RIGHT TO DECENT ECONOMIC LIFE.

The worker's right to work should be implemented by adequate measures for securing him a decent standard of life. He has a right to obtain a living wage. This has been given pointed attention to by the Popes Leo XIII and Pius XI. Other social reformers too have been advocating it. Though wages are com-

paratively satisfactory in some progressive countries, the majority of workers all over the world do not obtain enough wages to maintain themselves and their dependents in reasonable comfort. Wages should be enough for the maintenance of the worker and his family as well as to admit of setting apart a portion as his savings. The Eleventh Session of the General Conference of the International Labour Organization adopted a draft convention and a recommendation concerning minimum wage fixing machinery. By 1934 this convention was ratified by 16 countries. Even China ratified it; but unfortunately, India is still lagging behind in this respect.

The worker should not only get adequate wages but also a share in the profits of industry, commerce and agriculture. He should eventually become a co-partner in industry or land. This could be effected by a system of share-provident funds. The labourer should contribute one-half and the capitalist the other half to this fund so that eventually the worker could buy off substantial portions of shares in the capital. This system of co-partnership can be introduced up to a reasonable limit.

Right to personal safety and security.

If the worker has a right to work and decent emoluments therefor he has also the right to see to the protection of his life and person during his work. He has a right to be protected from dangers incidental to working conditions. The employer as well as the State has a corresponding duty to see to the safety of the labourer.

The maintenance of the safety and health in working places became a prominent problem only after the Industrial Revolution. Legislation for the control of industrial accidents has developed in all important countries along four main lines: reporting, prohibition, regulation, and compensation or insurance. These activities are closely interrelated and depend for success largely upon one another.

Provision for the protection of persons from industrial pursuits has been carried further with regard to children and women.

The nineteenth century witnessed a radical reversal of public opinion as to the proper age at which children should become bread-winners. The first International Labour Conference held in October, 1919 prohibited the employment of children under fourteen years of age in industrial workings. By September 1934, this convention had been ratified by 26 countries. Another draft convention by the same Conference prohibited the employment in industries during night of young persons under eighteen years of age; this had been ratified by 30 states by 1934. But this convention allowed special exemptions for India and Japan. A draft convention of 1919 fixed fourteen as the minimum age for the admission of children to employment at sea. By 1934, this had been ratified by 28 countries. The Third Session of the International Labour Conference held in 1921 adopted a draft convention concerning the minimum age for the admission of children to agricultural work which was laid down as fourteen. This does not apply to work that may be done outside regular hours of school attendance. A convention of the same year regarding the medical examination of young persons employed at sea had been ratified by 26 states by 1934. Another draft convention of the same year forbade the employment on board ship of persons under eighteen as trimmers and strokers. Twenty-eight states ratified it by 1924.

The exclusion of women from various branches of industry has been based essentially on their inherently weaker resistance to certain dangers and sometimes upon moral grounds or upon their special need for protection at certain periods, as just before and after child-birth. Legislation in this sphere is most extensively developed in Europe. The International Labour Conference of 1919 recommended the exclusion of women, as well as children under 18 from work in a number of lead industries. By 1934 this convention was ratified by 30 states. The draft convention

adopted in 1919 concerning the employment of women before and after child-birth was the first labour convention applicable to industrial enterprises and commercial undertakings. The convention was ratified by 16 states by 1934.

The General Conference of the International Labour Organization held in 1919 advocated the establishment of efficient factory inspection and government service for safeguarding the health of workers. Even before this date some progressive countries had adopted such measures. To-day this has fortunately become part of the legislation of all efficient governments. Between 1925 and 1934 provision for the victims of occupational diseases resulting from lead poisoning, mercury poisoning and anthrax infection had been made by 28 countries. A revision of the convention in 1934 added to the lost of occupational diseases.

The seventh session of the International Labour Conference in 1925 adopted a convention for equality of treatment for national and foreign workers as regards workmen's compensation for accidents. Thirty-three states ratified this convention by 1934. In 1921 the International Labour Conference adopted a convention providing that the benefits of accident compensation laws should be extended to agricultural workers. By 1934, nineteen states had ratified this convention.

Provision for a rainy day for the worker was not made a regular feature of industrial relations till some of the progressive countries adopted certain measures in this respect. The tenth session of the International Labour Conference in 1927 adopted conventions concerning sickness insurance for workers in industry and commerce, and domestic servants. It did not apply to seamen and fishermen. In case of illness the insured person would be entitled to a cash benefit for at least the first 26 weeks of incapacity and proper medical attention. By 1934 this convention had been ratified by 16 states. The convention concerning agricultural labourers provided a system of compulsory sickness insurance similar to that afforded to industrial workers. By September 1934, eleven states had ratified this convention.

RIGHT TO LEISURE.

Leisure is indispensable to efficiency and culture. As an individual as well as citizen of the State, the worker has a right to enjoy leisure for the development and efficiency of his body and mind. This aspcet of the labour problem has come to the fore in recent times. But hard toil for hours on end had been the unhappy lot of the workers down to modern times. At the beginning of the eighteenth century the ordinary working day of indoor trades in London was from 6 a.m. to 9 p.m., while those working out of doors were let off at 6 p.m. or dark. Before the last Great War a working week of 52 to 55½ hours was customary in Britain and in most countries. Similarly, in all progressive countries, the hours of work were gradually brought down. In 1930 the International Labour Conference fixed the maximum hours of employment in trade and offices at 48 hours per week and the normal day as one of eight hours. The maximum hours per week might be so arranged that hours of work in any day shall not exceed ten hours. With a few exceptions a 48 hour week is worked in every country. The hours in the United States generally range from 40 to 56½. There is a thirty-hour week in some American industries. A practical approach to the forty-hour week without reduction of wages has already been made by a few firms in Great Britain. Sundays are holidays in the great majority of countries. In some countries, Saturday is a half holiday. In Great Britain and America the five day week system is becoming popular. During the period of Economic Depression a number of temporary schemes of reduction in the hours of labour were adopted in order to spread the available work over a large number of persons. The two-shift system in industry is also in vogue in several countries.

RIGHT TO ENLIGHTENMENT.

The worker's right to leisure has to be implemented by the vindication of his equally important right to enlightenment. The slumbering discontent with the sordid conditions of the workers' lives had been fanned into a flame by the wartime pro-

mises of a better world in which the struggle for a living would be moderated and in which the common people would enjoy the full measure of health, wealth and culture. The main aim of those who are working for this new social order is to enlarge the social opportunities of the masses. It is now widely recognized that the worker has a right to education—at least of the elementary standard—and other reasonable amenities of social life.

Right to Organize.

The magnificent progress which the workers all over the world were able to make during the last hundred years has been mainly due to the international activities of Socialists, Trade Unionists, social welfare workers and enlightened governments. The labour movement derived very much of its energy from the agitation of the Socialists. The Catholic Church has always extended her weighty support to the cause of labour. In its national as well as international aspects Trade Unionism has been chiefly concerned with the economic improvement of the working classes. It was, however, the social welfare workers organized in private and semi-public associations and aided by the co-operation of enlightened governments that led to the actual adoption of international labour laws. After the last Great War, international labour legislation gathered further momentum with the creation of an International Labour Organization in conjunction with the League of Nations by which governments assumed the official direction of this movement. All the labour organizations and movements were actuated by the notion that the workers' position would be improved only if they appreciated their right to organize and forge collective bargaining. Individual bargaining was found ineffective. Workers realized that their salvation lay in organization and collective bargaining. Capitalists were at first opposed to the idea that the workers have a right to organize. Trade Unions were at first looked askance upon; they were suppressed as far as possible. But with the strengthening of the labour movement, capitalists and Governments have realized that the workers' right to organize is a perfectly legitimate one. Trade

unions have now been given legal sanction in several countries. The workers of the backward countries should realize that their freedom could be established only through collective bargaining. Settlements of industrial disputes by means of Industrial Councils, Courts of Arbitration and Conciliation have been facilitated by the recognition of the right of the workers to organize themselves. In states like Italy and Portugal having Corporative constitutions, workers have now been theoretically granted the right to be represented on equal terms with the capitalists in industrial disputes and in the legislatures. Syndicalists and Socialists have been demanding the governance of states by means of working men's representatives. At any rate, the movement for the vindication of the workers' right to organize has come to stay. The future of world economics and politics depends largely upon the way in which workers carry forward their right to organize themselves. It might possibly result in economic democracy and socialism in some form or other.

DUTIES OF THE WORKER.

Rights imply duties as well. No doubt, the worker has several rights over the employer and the government. But it must be remembered that the workers have several duties to God, the community and the employer.

The worker should be ready to work and to continue at work until the contract is at an end, while the employer is under a similar obligation to find work for the worker and to continue the employment until lawfully put an end to. The worker should do honest work during the prescribed time. He has a duty to be reasonably competent and fit for his work and position. The worker is in duty bound to submit to the necessary discipline of his employer's business, whatever its origin and whoever be responsible for its administration. He must observe good faith towards his employer. This duty forbids such matters as the workman working for himself in his employer's time, taking secret commissions or discounts or exploiting his knowledge of his employer's business for his own aggrandisement. The worker

has a duty to perform his work in a spirit of sympathy and co-operation as far as possible. Workers have also a duty to maintain reasonable economic peace by not resorting to general strikes on flimsy grounds, thereby dislocating the harmony of the community.

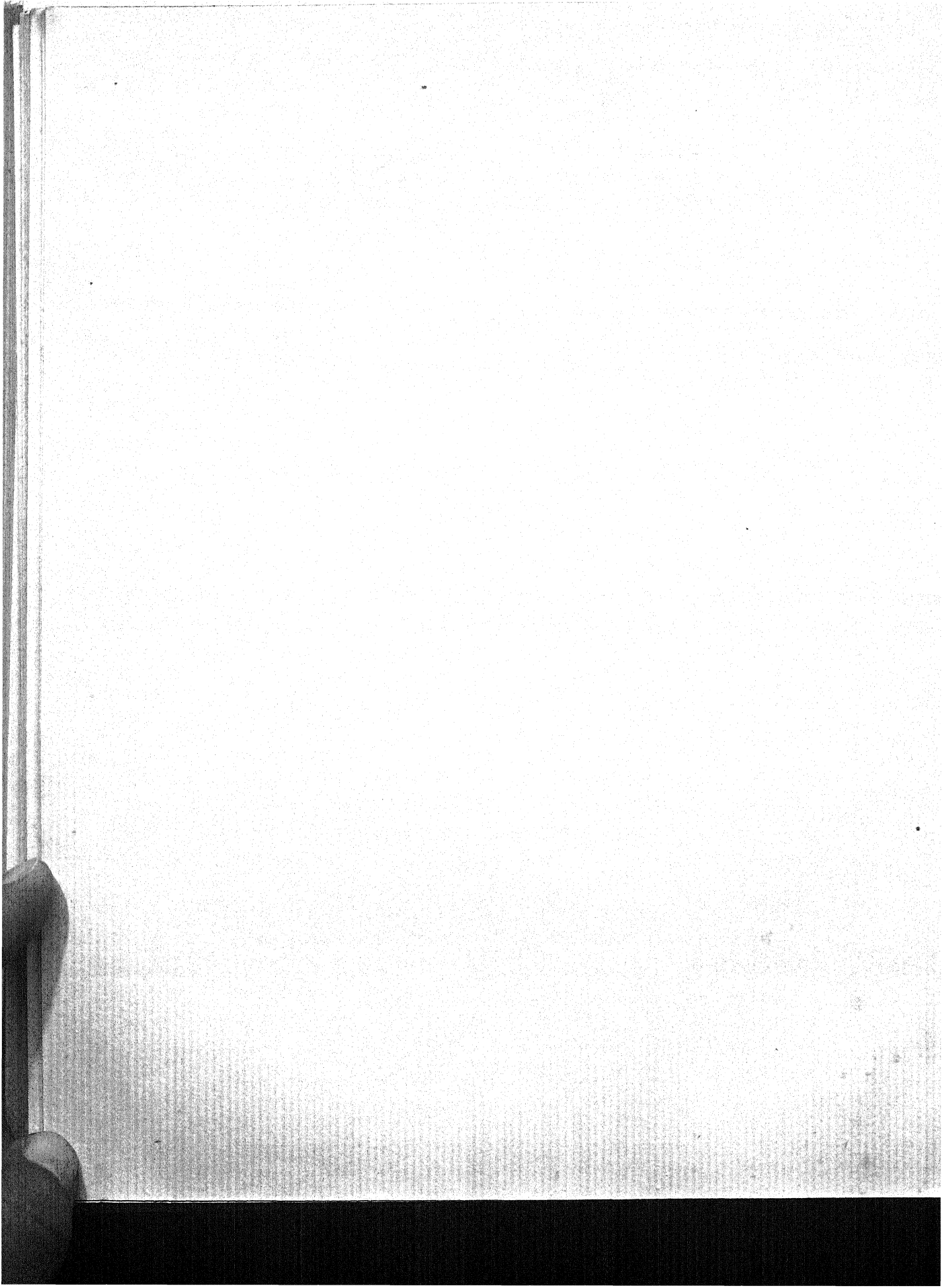
CONCLUSION.

Indeed, the modern worker could congratulate himself on the several rights he enjoys to-day. Gone are those unfortunate days when the worker was only considered a slave in the possession of the master or a vassal of the feudal lord. Forced labour too has virtually vanished. Thanks to the efforts of social reformers, national and international labour organization the worker has been slowly reclaimed as a citizen as well as human being with certain rights *vis-a-vis* the capitalist and the state. His rights to work, leisure, enlightenment, decent economic standards, personal safety and security, organization and political enfranchisement have now been theoretically recognized even by unwilling capitalists and the capitalist state.

But this does not mean that everything has been done to raise the position of the workers. Even in spite of international labour legislation and the endeavours of labour organizations, workers, especially in the East, are labouring under manifold grievances. More efficient organization on the part of the workers, broadmindedness and sympathy on the part of the employers, the strict enforcement of labour laws, a radical change in the enlightened public opinion of the world towards labour problems, the political freedom of backward countries, liquidation of imperialisms, economic development of backward countries and the unfettered access to the untilled portions of the earth's surface —these are essential for raising the position of the workers and implementing their rights.

The worker has now become a force to be reckoned with. In Mexico and Russia, he has succeeded in capturing political power while labour parties have been occasionally successful in establishing governments in some democracies. The most poten-

tially powerful movement in the coming generations might be organized labour. There is now a definite swing towards Socialism in all countries. Radical labour opinion is veering round communism. If Communist dictatorship should be averted, the present capitalist system must be cleansed of its anomalies. Corporative Democracy, retaining the frame-work of capitalist economy and containing the salutary features of Corporativism, Socialism and Syndicalism, is, to my mind, the most statesman-like solution of the problems confronting the polity and economy of the future. Corporative Democracy will be a synthesis of the best elements of all political and economic doctrines, allowing both the capitalist and the worker full measure of freedom and scope for development on peaceful lines. It will possibly afford the largest opportunity for all workers for the vindication of their rights.



ROAD TRANSPORT IN MADRAS

By

K. JAYARAMAN, M.A., M.LITT.

Communications play a vital part in the economic and social development of a country and are largely an index of its prosperity and growth. "Good communications....enable produce to be moved cheaply and quickly to places where the demand for it is active and secure the equalisation of prices for particular classes of produce throughout the country, and .....react favourably on the price which the average cultivator receives. They frequently open out to him alternative markets.....Defective communications....hinder the movement of goods and make primary marketing costly, the additional charge ordinarily falling upon the shoulders of the cultivator."[1] Good communications, moreover, bring new crops within the range of profitable cultivation. In fact, it has been the improvement in communications, more than any other factor, that has brought about the change from subsistence farming to the growing of money crops like cotton, jute, groundnut and tobacco. The social and political effect of good communications, especially on the rural population, is no less important than the economic. It is a commonplace that social and political progress is advanced by intercourse and retarded by isolation. "Good roads annihilate distances. Instead of counting by miles, we begin to count distance by time. Twenty to thirty miles is now an hour's distance."

POSITION BEFORE 1920.

In a Province like Madras which is inadequately provided with Railways[2] and canals useful for boat

1. Report of the Royal Commission on Agriculture, pp. 367-68.
2. The Railway mileage in the province is about 7,000 as against 25,000 in Great Britain, which is more or less of the same size as the Madras Presidency.

traffic,[3] road transport is the only main alternative open to the people, and so it has on the whole received more attention from the very beginning. But, till about the middle of the last century, road development in our country was governed mainly by military considerations and was looked upon as a national service financed entirely by the State. It was only after the spread of Railways in India that roads receded into the background from the strategic point of view. But there was no change in the policy of road construction and maintenance, and as early as 1856 the Madras Government decided that "trunk roads and certain district roads should be made and kept at the cost of the State." However, in 1871 all the roads were transferred to the care of Local Boards with a grant of Rs. 11½ lakhs for that year. This hasty decision was prompted not so much by the desire to transfer semi-national services to the control of local bodies, as by the financial difficulties that confronted the Provincial Government owing to the decentralization of Provincial finances; because, in the ten years following the transfer the grant was steadily curtailed until it reached the negligible sum of Rs. 33,000 in 1880-81. Fortunately, the income from tolls which were introduced in 1882 went on increasing from Rs. 3,84,662 in 1882-83 to Rs. 11,10,154 in 1903-04, and this it was that enabled the local authorities to maintain the roads despite the complete extinction of the State's obligation towards them.

In the year 1905-06, however, a general block grant of Rs. 14 lakhs was made by the Central Government which represented an addition to Local Board resources equivalent to one-fourth of their receipts from land cess. But this Imperial grant was fixed and as the cess revenue was increasing every year, the Provincial Government had to make up the deficit from their own funds to maintain the grant at 25 per cent of revenue from land cess. This general block grant, though made for augmenting the general resources of Local Boards, went a long way in financing com-

3. Canals useful for boat traffic exist only in two or three districts in the Presidency.

munications.[4] But, as the grant originally represented a quarter of the cess income, though it was finally stabilised at Rs. 17·23 lakhs in 1917, richer districts like Malabar and South Canara naturally came in for a lion's share of the dole, while the poorer ones which were already suffering from financial distress and received a smaller income from tolls were again starved by smaller grants. In 1917-18 the Government recognising the defects of the system of general grants-in-aid on the basis of cess revenue, provided for an additional grant of Rs. 5 lakhs to the poorer districts. But there was no obligation on the part of Local Boards to spend anything from this general block grant on communications. In the year 1920, however, the State recognised for the first time its responsibility for the maintenance of trunk roads.[5] But this was subject to the reservation that Government would pay only a maximum amount per mile (Rs. 500 per mile on the average for each District and Rs. 1000 per mile for each Municipality), irrespective of the actual cost of maintenance. In addition, the Government also continued to earmark the average of the last nine years' grant for special repairs and renewals.

Financial Relations Committee's Proposals.

In 1920 the Financial Relations Committee, appointed by the Madras Government to define the financial relations that should subsist between them and local authorities, recommended[6] the classification of roads into three categories: (a) First Class District Roads or Trunk Roads; (b) Second Class District Roads; (c) Third Class District Roads. In the Municipal areas the classification was to be: (a) Trunk Roads i.e., such roads as were portions of the First Class District Roads; (b) District Roads i.e., such roads as were portions of the Second Class District Roads; and (c) Streets. A Trunk Road was to have one or more of the following characteristics:—(1) that it was origi-

4. G.O. No. 1856, L. dated 8-12-1917.
5. G.O. No. 347 L. dated 9-4-1920 and G.O. No. 988 M. dated 23-7-1920.
6. Report, pp. 12-15.

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nally a road maintained out of Imperial funds; (2) that it was a link between two districts; (3) that a substantial portion of the traffic on it came from outside the district; (4) that it was necessary for Imperial purposes. The Second Class Roads were to be (1) roads connecting important towns and serving more than local needs; (2) feeders to the railway station, market and shrines (3) roads carrying heavy passenger or goods traffic; (4) roads requiring heavy allotments for maintenance. The Committee were of opinion that the existing method of financing trunk roads was sound though they desired that additions should be made to the list. For second class roads, they recommended a half grant of the cost of maintenance, subject to a limit of Rs. 200 a mile, which should replace the general block grant of Rs. 17·28 lakhs, with the proviso that the classification should be elastic enough to conserve to each district the grant it received in 1917. They also recommended the continuance of the grant of Rs. 5 lakhs made in 1917-18 for distributing to poor districts as a compassionate grant. In short, the principal recommendation of the Committee was to reclassify the general block grant as a road grant. No additional subsidy was proposed. While the general block grant was distributed on the basis of cess revenue, the road grant was to be made on the basis of road mileage, classified as second class roads. But this alteration, on the basis of road mileage was not a material improvement on the previous system of grants on the basis of cess revenue.[7]

A Retrograde Policy Since 1920.

In the period after 1920 richer districts developed their road system, often without any plan and in excess of requirements, while the poorer districts were obliged to forego reasonable development. By basing the grant on the road mileage, the weakness of the previous basis on cess revenue was only perpetuated. No provision was made for future construction and thus necessary development in poorer

7. T. K. T. Vijayaraghavachariar's paper on "The Road Problem before us" read at the Dt. Board Engineers' Conference in 1931.

districts was arrested. What was necessary was a scientific survey of requirements district war on which the grants should be based. The Government, while accepting the change in classification and the basis of distribution, did not agree to the reservation imposed by the Committee that the road grant should be no less than the original grant and the net result of action taken on the Committee's recommendations was an actual reduction in subsidy. Recalculation in the initial stages actually gave the districts less than what they had previously received, i.e., Rs. 45·30 lakhs as against Rs. 46·5 lakhs in 1920,[8] including the grant of Rs. 17·28 lakhs and the special grant given for poorer areas. But the principal flaw in the recommendations of the Committee was the imposition of a condition that Local Boards should spend an amount equal to the grant made for second class roads. This had two adverse effects. In the first place, such of the Boards as had not sufficient resources could not draw the full grant, because they were unable to spend an equivalent amount; secondly, rural communications which had not been classified as second class roads received practically no attention, as the Boards in their anxiety to get the full grant diverted all the resources towards the upkeep of second class roads.

In spite of these unsatisfactory results, roads in Madras received an unprecedented attention in the period 1920-31. Government had decided that the expenditure on communications, from the funds proper of Local Boards, should not be less than the combined total of the receipts from tolls and half the income from land cess. This sum was further augmented by the grant made on the mileage basis for trunk roads. A further grant for second class roads increased the available funds by another Rs. 17 lakhs approximately. Though the sum available from cess revenue remained more or less constant and the Government grant, being on the mileage basis, also remained stationary, the revenue from tolls was steadily increasing and every year large sums were available under the head Communications. The introduction of motor transport and the levy of additional licence fees on motor

8. Financial Relations Committee's Report, p. 17.

vehicles plying for hire brought in increased revenues as years went by. In the peak year 1930-31, the total road bill of the Province was Rs. 231·45 lakhs, the income from tolls alone representing 25 per cent of the total tax revenue of Local Boards, as against 8 per cent in 1882-83, when they were first imposed.

But tolls were abolished in 1931 and the compensation paid from the Provincial Motor Vehicles Taxation (which was imposed in lieu thereof) was only a third of the total toll revenue i.e., Rs. 15·60 lakhs as against Rs. 41·5 lakhs. It is believed that the reason for the abolition of this valuable revenue was political, and ostensibly it was an endeavour to reduce the burden on the alleged poor agriculturist.[9] The truth of the matter is that the increase in motor traffic was responsible for the opposition to tolls, which were looked upon as "harassing to a vehicle with a wide range of movement". But the mistake committed in 1931 was to have abolished tolls on non-motor vehicles also. It is estimated that at least a sum of Rs. 25 lakhs was the loss by the abolition of tolls on bullock-carts, which are yet using the roads and helping to wear them out without paying anything for their use, particularly in District Board areas. It was unfortunate that local finances received this serious set-back during a period of unparalleled depression. Messrs. Kirkness and Mitchell, as a result of their enquiry in 1933 said: "The present financial stringency coupled with the unfortunate effect of the abolition of tolls and the imposition of a Provincial Motor Vehicle Tax, which has failed to produce the expected equivalent revenue, had deprived local bodies who previously depended largely upon Government grants and revenue from tolls for this purpose, of the funds necessary to maintain their roads. Even without this misfortune, the impression we have gathered is that the sums previously available for road maintenance were proving to be inadequate and it is now clearly necessary, if roads are not to deteriorate seriously, that additional funds should be provided. The reduction in the income of District Boards by loss of toll revenues,

9. Memorandum submitted to the Road-Rail Enquiry Committee by the Indian Roads and Transport Development Association Ltd., Madras Branch, Sep. 1932.

which dates from the year 1931-32, has already, we understand, led to enforced neglect of roads, to rapid deterioration and to the accumulation of arrears of maintenance and renewal which will ultimately be more costly to repair than if taken in hand in due time."[10] In spite of the fact that the cost of maintenance was relatively low in Madras,[11] an enormous maintenance bill had to be footed, because of the fact that practically the entire road system of the Province was in charge of local authorities, and out of a total road mileage of 32,627 in 1935, only 1854 miles were maintained by the P.W.D., besides 4073 miles maintained by the Forest Department. As funds were not available to maintain the roads even at the existing level of repairs, the question of improved surfacing was not a question of practical politics. Government recognised the difficulties of Local Boards and to compensate them partially, raised the subsidy in respect of Trunk Roads from Rs. 500 to Rs. 570—Rs. 700.[12] But even this additional grant was totally inadequate and in 1933-34 poorer districts like Anantapur and Bellary were spending only 6 to 9 per cent of their gross income on roads.[13] In 1934 the Government of India stepped in and started making grants from a Central Road Fund that was constituted.

Road Development Fund.

It is necessary to review the circumstances that led the Government of India into the field of road development. Railways are the property of the Central Government, while roads belong to the Provinces. Owing to a lack of co-ordination in the past, the road and railway systems have been so constructed that, instead of being complementary, they run parallel to each other. 48 per cent of the railways have metalled roads running parallel to them; in Madras the percentage is higher, viz., 61.[14] Before

10. Madras Report, p. 6.
11. Because of low maintenance costs, road development in Madras has been far ahead of the other Provinces, containing 40 per cent of the total metal roads in India.
12. G.O. No. 1130, L. & M., dated 1-4-1931.
13. Vipan's Report on Road Development in the Madras Presidency (1935), p. 8.
14. Mitchell and Kirkness Report, p. 79.

the advent of motor traffic, this development did not have any repercussions on the finances of the Central Government. But with the development of competing autobus services running on the parallel road system, the railways began losing a good deal of their income from short distance passenger traffic. The loss in the year 1933 for all-India was about Rs. 186·4 lakhs; in Madras alone the loss was Rs. 30·74 lakhs.[15] The Government of India could not view with equanimity the steady reduction in the returns on the enormous capital sunk in the Railways. Road-rail competition had entered a phase when drastic remedies were necessary, and hence the intervention of the Central Government.

In 1934 the Government of India imposed on motor spirit an extra duty of customs and of excise of two annas per gallon, the proceeds thereof being earmarked for the purpose of road development. The pool was to be distributed, after the retention of 15 per cent as a reserve, between the different units on the basis of the ratio of consumption of petrol. The funds could be spent mainly on one of the following objects: (a) The construction of new roads and bridges of any sort: (b) the construction or substantial improvement of existing roads and bridges: and (c) in special cases, on the maintenance of roads and bridges originally constructed, reconstructed or substantially improved out of allotment from the funds or from loans approved or sanctioned by the Government of India. The balance left with the Madras Government under the Road Development Fund at the end of 1938-39 was about Rs. 16 lakhs, besides a sum of Rs. 20·79 lakhs held by the Government of India to the credit of the Madras Government, being the Provincial allocation out of the petrol tax fund for the period ending 30th September 1937 and a further sum of Rs. 22·80 lakhs being the revenue for the period from 30th September 1937 to 30th September 1938, thus making a total of Rs. 43·59 lakhs to the credit of the Madras Government.[16] The local authorities concerned have been authorised to start the

15. *Ibid.*
16. Government Press Communique published in "The Hindu" dated 27-1-1940.

works after obtaining the sanction of the competent authorities to the estimates.

LACK OF FUNDS AND LACK OF BALANCE.

But, in spite of the grants from the Central and Provincial Governments, the funds available for communications are appreciably less than what they were in 1931. The expenditure on road maintenance in the Province in 1938-39 amounted to Rs. 138 lakhs only, as against Rs. 178 lakhs in 1930-31, although during the same period the total mileage increased from 39,638 to 43,505 and there was an increase in the volume of traffic both motor transport and bullock carts.[17]

In 1935, the Madras Government appointed Mr. A. Vipan as a Special Officer to examine the road system in the Province. The scheme evolved by him was to be "part of a rational plan and calculated to afford improved facilities for marketing, for commerce and industry and eventual economic benefit." Mr. Vipan's enquiry[18] established beyond doubt that there was a definite lack of balance in road development and that important marketing roads were being neglected. The principal care of the Government, as also of District Boards, was the Trunk Road, though this road carried much less traffic than important marketing and feeder roads to railway stations. Attention had been bestowed chiefly on roads running parallel to the Railways. Mr. Vipan recommended that important marketing roads should be grouped together with second class roads to rank for subsidy. On the basis of this reclassification, he drew up a detailed programme for each district, involving for the whole Province a capital expenditure of Rs. 611 lakhs and a recurring increase of Rs. 23 lakhs in annual maintenance charges.

But Mr. Vipan's scheme, restricted as it was by financial considerations, did not provide for general surfacing on the standard of other countries. His review

17. E. A. Watson's address reported in "The Hindu" dated 24-2-1940.
18. 'Scheme of Road Development for the Madras Presidency' (1935).

was limited to an examination of the existing system and his recommendations cover measures necessary for the rectification of the present lack of balance. But the need for a rational planning has come to be recognised and the future development has to be based on a co-ordination of the construction programmes of roads and railways. If, as a result of unhealthy competition, the railways do not earn the minimum, they will not only be compelled to raise the goods rate for obtaining an adequate return on the capital invested and thereby materially interfere with the prosperity of the agriculturists, but also adversely affect the fortunes of the Provincial finances, as, under the existing arrangements, the Provinces are qualified to get a subvention from the Central Income-tax receipts, if the Railway income exceeds a fixed income. Again, the Provinces by allowing an unrestricted bus service on parallel roads commit themselves to the responsibility of maintaining them at the existing level, if not at a higher level, to the neglect of more essential roads in localities where they constitute the only means of communication. According to Messrs. Kirkness and Mitchell, though on the basis of road mileage in this Province there are 4½ square miles of area for every mile of motorable roads, there are thousands of villages with a population of over a thousand each, which are unconnected to any road or railway system.[19] According to the official report for the year 1938-39, there are in the Province only 32·35 miles of road on an average for every 100 square miles of area, in striking contrast to the position in the United Kingdom where already in 1933-34 there were 2·4 miles of road per square mile, in France 1·9 miles, in Italy 0·95 miles and in Germany 1·2 miles. Even in thickly populated districts like East Godavari and Kistna, which yield large quantities of exportable produce, the road mileage is only 53·5 and 30·0 respectively for every 100 sq. miles of area, while Anantapur, Bellary, Cuddapah, Kurnool, Madura, Nellore and Ramnad have only 19·3, 18·4, 14·6, 14·3, 26·0 15·9, and 19·8 miles of road respectively for every 100 square miles of area. Any rational plan must, therefore, assess the importance of the existing road communications in each district.

19. Madras Report, pp. 6-8.

It is necessary to eliminate unhealthy competition by restricting the number of buses and prescribing the minimum fares to be charged and the minimum degree of comfort to be provided. An accurate measure of legitimate traffic on roads parallel to railways would then be possible. It is very necessary to see whether the improvement of an existing road would satisfy the needs of the locality and that, if it does, the construction of a comparatively short line parallel to it, which will merely duplicate transport facilities and lead to wasteful competition, is not undertaken. A classification of roads should then be made with reference to the traffic that they carry and the existence of other modes of transport on the routes. Besides selecting one or two or more alternate routes for preference in reclassification it will also be necessary to survey the areas where transport facilities do not exist, and a road system should be planned rationally in the light of economic and other considerations.

Though Mr. Vipan proved that the trunk roads, in spite of continuous auto-bus service, carry less traffic than many other roads used by agriculturists' cart traffic,[20] still he would not recommend higher subsidy to these roads, classified as *important marketing roads*; these were to rank for subsidy on more or less the same footing as second class roads. While the system of grants to the trunk roads remained unaltered, the important marketing roads specified by the Government received the entire cost of maintenance, subject to the allotment for the District and subject to the Board having spent an equivalent amount, out of its

20. A similar view is expressed by Mr. C. R. Srinivasan in his Memorandum on the Rice Production and Trade in the Madras Presidency (1935), when he says: "The abolition of toll-gates, the fall in the price of cattle food and a fall in the price of animals have now reduced the cost of transport by bullock cart to about 50 per cent of what it was in 1927-28. This means of transport is still largely utilised for distances up to 40 to 50 miles, even though the stations covered may be connected by railways. When the distance is short, the direct transport by cart is found to be even cheaper than the transport by rail, as it dispenses with the expenditure of moving the produce from the godown to the station at one end and from the station to the godown at the other, besides the loading and unloading charges at the stations.....Traffic by road offers the small cultivator an additional source of income and gives employment in the off-season to himself and his cattle"

own funds, on these and second class roads taken together. It is time that we break away, once and for all, from the existing idea of the overwhelming importance of trunk roads and reclassify the roads on the basis of utility and necessity for purposes of subsidy. It is universally recognised that an improvement in surface is a pressing need. The dust nuisance is a menace to the health of the villages along the roads and of the pedestrians. The water bound Macadam roads, apart from the dust nuisance they create, consume an enormous amount on annual maintenance. But the present state of finances of local authorities, rendered hopeless by the abolition of tolls, places the question of improved surfacing beyond practical politics, as they are hard put to maintain the roads even at the existing level of repairs. Although, there has been marked increase in the compensation paid from the Provincial Motor Vehicles tax, (from Rs. 24·92 lakhs in 1935-36 to Rs. 43 lakhs in 1940-41) still local finances have not yet recovered from the blow of 1931. It is, therefore, necessary to examine a feasible alternative for financing communications.

Possible Sources of Revenue.

It may be legitimate to claim that all the receipts from direct and indirect taxation of transport vehicles (both Central and Provincial)[21] should be earmarked for the development of roads. on the analogy of the Broadcasting Service which is financed principally by the customs receipts on broadcasting sets and parts. The Provincial tax in Madras is the Motor Vehicles Tax whose receipts are distributed to the local bodies as the compensation for the loss of toll income. Licence fees levied on commercial and passenger buses, which till 1938 were retained by the local authorities, are also provincialised by the Traffic Control Act. The proceeds of the excise duty on petrol, which is collected by the Government of India, are similarly distributed through the Road

21. The contribution from motor transport to the central and Provincial revenues in 1931-32 was as follows:—

Import duty on vehicles, tyres and accessories	..	Rs. 430 lakhs.
Excise and Import duty on petrol	..	Rs. 100 lakhs.
Provincial and Local Taxes	..	Rs. 300 lakhs.

Development Fund *pro-rata* to the Provinces, but the import duty amounting to Rs. 430 lakhs (in 1931-32) is appropriated by the Central Government. If the resources of the Road Development Fund could be augmented by pooling the receipts from this source as well, a large amount would become immediately available for the efficient maintenance of roads in the Provinces. Similarly, if the receipts from the recently imposed Provincial taxation on petrol were also earmarked for road development, the problem could be said to have been almost solved. Both these taxes are expanding sources of revenue, and if they are earmarked for communications roads in India can be made as good as in the West.

But it is vain to expect any such allocation, when the Central and Provincial finances are passing through a phase of depression accentuated by the War. There has been, moreover, a rapid reduction in the number of new buses and lorries in the Province,[22] and this means a reduction in income from this source. In 1939 the number of buses registered was 35 per cent less than in 1937, prior to the introduction of the Madras Motor Vehicles Rules of 1938. The figures for lorries show an even more alarming decrease, of 36 per cent in 1938 and 64 per cent in 1939. All this means a reduction of revenue from Provincial taxes on motor vehicles, the petrol sales tax, general sales tax and a decreased contribution by the Central Government of the Provincial share of the central import duty and excise on petrol.

Among other sources suggested is the imposition of a wheel tax on carts on the ground that all users of road should contribute to its upkeep. But this does not possess the merit claimed for the toll system, under which vehicles, mechanically propelled as well as animal drawn, were paying towards road maintenance to the extent of use they made of the road. A wheel tax will have to be imposed uniformly and an agriculturist will have to pay in the same way as a cart contractor and not to the extent of

22. Mr. Watson's address reported in "The Hindu", dated 24-2-1940.

the use he makes of metalled roads. In many cases, the carts will pay even though they do not use metalled roads at all. As an alternative to a wheel tax, it is suggested that a condition may be imposed requiring carts using metalled roads to use a particular type of wheel which would affect the roads in the same way as motor vehicles. While it is possible to provide economic surfacing for one type of traffic, it is impossible to devise a surface which will stand up to two different types of traffic. Messrs. Kirkness and Mitchell came to the conclusion[23] that the carts using unmetalled roads have narrow rims which "bite into the soil." But if we insist upon a different type of wheel, it will cause great hardship and render traction also more difficult. This alternative has, therefore, to be dismissed in rural areas. The reintroduction of the toll system in a modified form will have to be considered as a workable plan.

The cart is the most common mode of conveyance on roads and the toll which it was liable to pay (before 1931) was three annas for every 20 miles and in many cases the distance was longer. It cannot be considered that this rate is too high or that it interefered with traffic. It is argued that the agriculturist has paid land cess and has therefore contributed according to his ability to pay and that liability to pay tolls would constitute an additional burden on him. But against this view, it may be emphasised that as the toll gates were located at distances of 20 miles, the levy was made only on carts used for commercial purposes, as normally an agriculturist marketing his own produce would not have to travel beyond a radius of ten miles for this purpose. Even granting border line cases where agriculturists living close to a toll gate had to pay tolls even when the distance traversed was much less, the conclusion seems irresistible that the complete immunity at present enjoyed by carts in rural areas is unjustifiable and should be discontinued. A distinction should be made between agriculturists marketing their own produce and those using the roads

23. Report, pp. 53-54.

for commercial purposes, exempting the former if necessary from and subjecting the latter to, taxation. In the urban areas, carts are taxed and on the same principle commercial carts in the rural areas should also be taxed. Even in urban areas, the absence of tolls has led to some deplorable results. Carriages and animals let for hire within municipal limits are kept outside the area and a good number of such carts come daily into the town, escaping assessment of taxes but causing heavy damages to municipal roads.[24] So long as vehicles and animals in towns and cities are taxed, tolls ought to be levied on those entering the town or city from outside, because the incoming vehicles enjoy the benefit of good roads and other amenities of the municipality without in any way contributing to their upkeep. The imposition of tolls on cart traffic and an enhancement of the taxation on motor vehicles using rural roads would go a long way to compensate the local authorities for the damages done to their roads by such vehicles.

Transport Service by Local Bodies?

The reimposition of tolls in a modified form described above, however desirable and necessary, will not bring in sufficient funds. There is a widespread feeling that private bus services, besides causing great danger to the roads, are carried on in an unsystematic manner to the neglect of public convenience and comfort; that the profits derived from the use of roads are appropriated by private interests and that this lamentable situation can be improved if the local authorities themselves start running bus services.[25] Some Municipalities like the Trichinopoly Municipal Council have been granted the monopoly to run passenger services within their municipal limits. In the Coimbatore District, the Government recently allowed the District Board the monopoly to run the bus service on the road between Coimbatore and Pollachi The railway running between these two places is owned by

24. Madura Municipal Report, 1936-37.
25. Proceedings of the Conference of District Board Presidents in May 1939.

the District Board. The yield is certainly encouraging, but there are one or two disquieting features. The Board feared that departmental management would be uneconomic and so hired a fleet of cars, complete with drivers, at four annas a mile. It even claimed that if it were given the monopoly on all the routes in the district, it would make a net profit of one lakh of rupees by letting out the service on contract. But the Board forgot that in each district there are unprofitable as well as profitable lines and that it would be wrong to come to conclusions on the working of a single profitable line. Moreover, if the service were to be let on contract, the profit earned would be at the expense of the contractor, who would in turn pass on the loss to the travelling public in the shape of enhanced fares or inconveniences. He may not run comfortable buses and he may pay starvation wages to the staff employed. In assessing the financial results of such a scheme, it would be necessary, first of all, to work out the profits and losses on the different routes to arrive at the gross profit. Secondly, services running on roads parallel to railways should be discouraged as far as possible and feeder road traffic encouraged. Thirdly, minimum comforts and conveniences to passengers and minimum wages for the employees should be prescribed. It should not be forgotten that the underlying idea of public management of public utility concerns is not to earn profits but to improve the efficiency of the services and to provide more comforts and ultimately reduce the charges made. Considerations like these leave almost no choice in the matter and it is not known if these were responsible for the cancellation lately of the monopoly to the Coimbatore District Board to run passenger bus services on the Pollachi—Coimbatore route.

Need for a Provincial Transport Board.

The greatest need to-day is the co-ordination of different agencies by the constitution of a Provincial Board of Transport, on the lines of the London Passenger Transport Board, composed of representatives of the Government, the Railways, Local Authorities and Experts—"a combination of public ownership, public accountability and business management for public

ends." In 1933, the London Passenger Transport Board was constituted to take over the various transport undertakings and interests, other than main railway lines, in a defined area. The duty of the Board was "to secure the provision of an adequately and properly co-ordinated system of passenger transport, while avoiding the provision of unnecessary and wasteful competitive services," and to fix such fares and charges as to make the Board financially self-sufficient and independent of other public resources.[26] Adoption of some such methods alone can provide the Province with an efficient and well-organised transport service and give adequate financial relief to local bodies which are hard pressed for funds for the maintenance of roads. It is not just that the private capitalist should profit at the expense of public funds and public convenience. No taxation that local bodies can levy on transit companies would cover the cost of the extra wear and tear of roads, and any taxation so levied must be borne ultimately by the travelling public. Nor is it desirable, that local authorities, with their limited finances and ill-organised management, should be given the monopoly to run the services. The only solution lies in the constitution of a Provincial Transport Board with capital subscribed by the Government, the Railways and Local Authorities and a return of 4 to 5 per cent on the capital may be guaranteed. The net earnings, after the payment of this dividend, should be distributed on the basis of the mileage in each district on which the service was operating in that unit. Such a venture, if wisely administered, would easily give the districts, in a few years' time, an annual subsidy of Rs. 50 lakhs.

Resort to Borrowing.

The improvement of the existing roads is closely linked up with the available funds. Since the whole country is agricultural and the bullock cart is the only economic means of transport for at least 70 per cent of the population, any form of road

26. The London Passenger Transport Board Act (1933), Section 3. O'Brien's *British Experiments in Public Ownership and Control*, p. 221.

surface which drives the bullock cart out of the road will seriously damage rural economy.[27] If it is possible to have concrete roads or roads with a premix carpet, by capitalising the maintenance grants of a few years, such a scheme should be immediately adopted. The figures given in the Vipan Report are discouraging. If the surface of the 25,000 miles of metalled roads in the Province is to be concreted, it will cost Rs. 3,300 lakhs but a premix carpet alone will cost Rs. 1,700 lakhs. Even granting that the improved methods of surfacing are to be financed out of loans, it is necessary to provide for the amortisation of the loan, interest and maintenance charges. According to Mr. Vipan, the total annual provision to be made for meeting the loan repayment, interest and maintenance charges is Rs. 1,527 per mile; whereas the funds now allotted by Government to trunk roads are only between Rs. 570 and Rs. 665 per mile in the case of District Boards, and Rs. 1000 per mile for portions of these roads within municipal limits.

But, is it necessary that the entire road mileage of the Province should be concreted? The road map of the Province shows that in many cases roads are radiating, from any fixed centre, in such an unsystematic manner that it will be possible to scrap some roads by constructing feeders from one main road to the important villages and markets now situated on the other routes. The road mileage should be brought down on the basis of utility, and engineers should examine whether the present depth for concreting is necessary and whether economy cannot be effected in the admixture of the constituents of concrete. It has been suggested to the writer by an experienced Road Engineer that, by the alteration in the ratio of the different constituent elements which go to make up concrete, the cost of concreting can be cut down to a quarter. If this is feasible, together with a reduction of mileage selected for concreting the cost should not exceed Rs. 800 lakhs. If it is possi-

27. S. S. Naik on "Roads" in the Quarterly Journal of the Local Self-Government Institute, Bombay, October 1939 and H. R. Dogra's address at the Conference of the Madras Local and Municipal Engineers held in September, 1940.

ble to work down to this figure, it will certainly be economical to have recourse to borrowing and the present maintenance grant will be quite adequate to meet the equated annual loan instalments to amortise the loan within the life of the road system. Improvement in road construction should be such as to lead to a reduction in the average cost of maintenance, which is an element in road expenditure apt to be overlooked by enthusiasts.

CONCLUSION.

From all these considerations, it is clear that the Government should have a complete road programme, made out for each district, after taking into account the needs of the areas, the marketing facilities that the villagers require for getting the best value for their crops and the prospective development of traffic in the district. Alongside of the details relating to costs of construction and maintenance of these roads, the standards to which they will have to be kept up must also receive attention. When such a planned scheme is ready, the cost of the scheme can then be worked out with fair accuracy. While construction work could be financed out of loan funds, restricting the selection of areas on the basis of utility and necessity,, maintenance of the roads to the required standard should be the duty of local authorities; and when occasion demands, the condition of any of the roads might be improved to a higher standard without having to waste any of the items of expenditure already incurred.

INDIGENOUS BANKING IN SOUTH INDIA

By

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An indigenous banker is a person or group of persons mainly doing the business of accepting deposits, dealing in bills and lending money. He or they might be engaged in other approved business, than banking but banking is the main business.[1] Money lenders do not come under this definition.

In South India we have a few indigenous banking communities viz. (1) The Nattukottai Chettiars, (2) The Multanese and Marwaris and (3) The Kalladakurichi Brahmins. Nidhis and chit funds are the most important banking institutions of the South, and in this paper we shall try to understand their present working and their future possibilities.

I

The Nattukottai Chettiars.

The Chettiars are hereditary bankers of Tamil Nad and play an important part in the banking organisation of South India. They receive both current and fixed deposits and advance money to traders, businessmen and agriculturists. Though they are mostly dependent on their own resources for their business, occasionally they borrow from commercial banks. Their business is not so extensive in South India. It has been estimated that they have advanced only Rs. 11 crores in the province of Madras. But they have extensive business in Burma, Ceylon, Federated Malay States, Strait Settlements and Cochin-China. The Burma Banking Enquiry Committee estimated that in

1. Cf. Indian Companies Act 1936, Section 277F.

Burma the Chettiars had advanced Rs. 75 crores of which Rs. 50 crores were advanced to the agriculturists. Some of them do business in Java, Siam, Sumatra and Mauritius. On the whole they have been very successful in their business. They avoid speculative loans, and money is advanced only on good security like gold, house-property or unencumbered estates, to traders, businessmen and agriculturists. It is a pity that the Chettiars continue to have most of their business outside our country. If only they are induced to invest their huge resources in banking operations in South India, the problem of finance for new enterprises could be partly solved to some extent.[2]

The *Multanese and Marwaris* are North Indians who do banking in these parts. They do not take much local deposits, but some of them take current deposits at 3 to 6 per cent. Their funds are derived from their own resources or they borrow from their community in the north. Only rarely do they borrow from commercial banks.

The *Kalladakurichi Brahmins* are a community of money-lenders who do active banking business in the districts of Tinnevelly, Madura and Malabar and the Native States of Travancore and Cochin. They receive both current and fixed deposits and they also borrow money from the joint-stock banks and lend money to traders and agriculturists on securities and pro-notes.

All these communities of bankers do their business on more or less the same lines, though their methods and policies lack uniformity. Their accounts are kept in a simple way and cost little to keep. Their business methods are efficient. They charge anything from 9 to 24 per cent by way of interest and levy penalties for default. The majority of them combine banking with some form of trade, and the capital employed in one is not distinguished from that employed in the other. They finance agriculture only indirectly through money-lenders and agents.

2. A few years back the Chettiars started the Chettinad Banking Corporation Ltd. with a subscribed capital of Rs. 3 crores.

In general their operations are not attended with formalities and delays. They keep simple and efficient accounts and therefore do not employ an elaborate staff, they are at all times accessible to their clients. Though they receive no special banking education, they are usually able and efficient in their business. Some of them do much banking business done by the Joint-stock banks, such as buying and selling remittance, discounting hundies, receiving deposits, advancing loans and issuing even cheques. They get remittance facilities from the Imperial Bank, on the same terms as the general public do. The special concessions given to the Joint-stock banks are not extended to them.[3] They form associations among themselves for purposes of mutual help and common purposes.

The Banking Committee considered some proposals for their improvement such as the formation of Joint-stock banks or Co-operative concerns of indigenous bankers and adopting bill-broking as a chief feature of their business. Mr. Ramadas Pantulu in his minute of dissent strongly pleaded for active measures to be taken to improve their present condition. As he put it "The present position is that the indigenous bankers are like Lilliputians who in spite of their numbers are helpless in tackling financial problems of the country."[4]

The chief recommendations made by the Central Banking Committee were[5]:—

(1) Such indigenous bankers as are engaged in banking proper or are prepared to shed their business other than banking should be eligible to be placed on the approved list of the Reserve Bank in the same manner as Joint-stock banks. The Reserve Bank should prescribe a standard which indigenous bankers must satisfy before they can be given the concessions recommended. Such indigenous bankers should also agree to have proper books of accounts kept in the usual recognised manner

3. Central Banking Enquiry Committee Report, pp. 95-110.
4. *Ibid.*, p. 529.
5. Central Banking Enquiry Committee, p. 499.

and to have them audited annually be recognised auditors. These books of accounts should also be available to the Reserve Bank for inspection and audit. Such of the bankers whose deposits do not exceed five times their capital, should during the first five years be exempt from the rule relating to compulsory deposits. At the end of the period it would be left open to the Reserve Bank to take such action in the matter as it may consider necessary in order to make its credit policy effective.

(2) Institutions receiving rediscount facilities from the Reserve Bank should not charge to the public rates which in the opinion of the Reserve Bank are unduly high.

(3) Facilities for remittance of funds at the same rates as are charged to all Joint-stock banks should be given to indigenous bankers who are included in the schedule of member-banks of the Reserve Bank.

(4) The benefits of the Bankers, Books Evidence Act should be extended to such indigenous bankers as are placed on the approved list of the Reserve Bank.

(5) A more liberal policy by the Imperial Bank and other Joint-stock banks towards the indigenous bankers is recommended.

Ever since the establishment of the Reserve Bank of India, the question of linking up the indigenous bankers has been engaging the attention of the authorities and they have put forward a practical proposal. The following are the chief conditions laid down by the Reserve Bank in the draft scheme published in the press.

(1) Thy must confine their business to banking proper as defined by the Indian Companies Act. Any other business that they might be conducting should be wound up within a reasonable time.

(2) They must maintain proper books of account and have them audited by registered accountants; the Reserve Bank will have the right to inspect the accounts and call for any information necessary to determine the financial status of the banker.

(3) They must file with the Reserve Bank the periodical statements prescribed for scheduled banks. They must also, in the interests of their depositors, publish the returns prescribed for banking companies by the Companies Act and be liable to the same penalties for non-compliance.

(4) The Reserve Bank will have the right of regulating the business of the banker, on banking lines when necessary.

(5) During a period of five years from the date of their registration as private banks in the books of the Reserve Bank, they will be entitled to open an account at any of the offices of the Reserve Bank, and be otherwise subject to the same conditions as the scheduled banks except that during such period they will not be required to furnish the compulsory deposits, set out in section 42 of the Reserve Bank Act, unless any of their weekly statements disclose that their time and demand liabilities are five times or more in excess of their capital in the business.

(6) If an indigenous banker does not incorporate himself under the Companies Act, his liabilities in respect of his banking commitments will be unlimited. He should therefore state the amount of capital he has available for banking business (minimum capital required is Rs. 2 lakhs).

(a) The names and the extent of interest of their business partners of any, and,

(b) If any of the bankers is a member of a Hindu Joint family, the names and interests of the co-sharers. In both the cases, statements will be required from the co-sharers, that they are prepared to take their full share in the business and its liabilities.

(7) This scheme will be a tentative one for a term of five years, but before the end of this period the Reserve bank will frame proposals for legislation, if it thinks fit further to co-ordinate or regulate the position of the private banker. It is likely that such legislation would take the form of a separate Bank Act as suggested by the Banking Enquiry Committee.

(8) If they satisfy the above conditions they will have the privilege of rediscount with the Reserve Bank against eligible paper, the right to secure advances against Government paper, and remittance facilities similar to those for the scheduled banks.

This tentative scheme, though subject to some criticism by bankers, if brought into operation, will go a great way towards making the indigenous bankers play their proper part in the credit economy of our country, and the Chettiars and other bankers of South India will be able to modernise their banking business and help the economic progress of the urban and rural parts of our province. As Ramadas Pantulu says, "There is a great future before them if they move with the times and adjust themselves to modern conditions, and do not, by their adherence to out-of-date methods, court their own extinction."[6]

II

Nidhis and Chit Funds are the two most important indigenous banking institutions of South India. They are very popular in Tamilnad and Kerala and are peculiar to these parts of India.

A. Nidhis—When the Banking Enquiry Committee conducted the investigation there were 228 nidhis with a working capital of Rs. 2½ crores, and additional sum of Rs. 1½ crores in the Madras province. Of these 123 were situated in Coimbatore district alone, and the rest were distributed in the other districts of the province.

The main feature of a large number of nidhis is that of a terminating society of members who contribute monthly an amount which is available for loans to members.[7] The chief objects of a nidhi are to serve the purpose of providing facilities for credit at low rate of interest, which may be paid back in easy

6. Central Banking Committee Report, Minute of Dissent by Mr. Ramadas Pantulu, p. 529.

7. Madras Provincial Banking Committee Report, p. 198.

instalments spread over a number of years. It encourages saving by providing opportunities for monthly deposits.

A few people who decide to Start a nidhi join together into an association and get it registered. The association then invites membership into it, each member contributes monthly an amount or a multiple of the amount fixed by the association, and this monthly subscription is for a fixed period say 60, 80 or 120 months. At the end of the period the affairs of the nidhis are wound up and profits divided.

The monthly subscription form the working capital of the nidhis. This money is made available to the members as loans on the security of lands, houses jewels or personal sureties. Repayments are made by the members by easy monthly instalments, and the interest rates are usually low. But the penalties for default, delay etc., are very heavy, and this item is the chief source of profit.

Obviously this banking institution offers certain advantages. There is an element of Co-operative credit in these for medium term and long term loans on the security of immovable or movable properties. The interest rates are usually below 12 per cent and hence cheaper than the credit provided by the indigenous banker or the money-lender. Like the Co-operative Society the creditors and debtors are mutually known and are interested in the proper working of the society. They are known to each other, and usually loans are granted only with a fair knowledge of the assets and liabilities of the borrower. Debts are payable in small monthly instalments spread over a number of years, thus facilitating repayments by the debtors. All payments are recorded in the pass-book; and habits of punctuality are encouraged, while even when a debtor defaults he also ultimately gets a share and the profits which might accrue from such defaults. Nidhis also encourage thrift and induce people to save, and usually at the termination of a nidhi a subscriber gets a lump sum of money which may be invested in some useful transaction.

In actual working however, there are many defects and sometimes the nidhis cause the financial ruin of many. The chief defect is the defect in administration, as there is no legislation regulating this, sometimes the secretaries are given undue powers, and often the Directors are indifferent, though they regularly draw their remuneration. They have no great stake in the nidhis, as it is not compulsory on their part to be large shareholders. The monthly subscription is not very helpful to agriculturists, who have only annual incomes, and the nidhis thrive mostly in urban centres. The penalties for default are sometimes ruinously high. The fall in the value of agricultural land and produce has made the securities inadequate and remittances have been made difficult.

The development of Joint-stock banks and Co-operative societies is making the nidhis less and less popular, and the absence of any legislation to control and regulate the nidhis still gives opportunities for unscrupulous promoters to cause the ruin of many thrifty individuals. Though crude in its organisation if legislation is passed, as recommended by the Madras Provincial Banking Committee, and their working is properly controlled and supervised these indigenous institutions will continue to play an important part. They may be registered as banking companies and by modernising their business and extending their activities, they may ultimately develop into Joint-stock banks or Co-operative Credit Societies.

B. Kuris or Chit Funds—This is the most popular indigenous banking institution among the 10 millions of inhabitants of Kerala [Travancore, Cochin and British Malabar] for investments of savings and for obtaining loans. The villagers' need for a lump sum of money to meet some unusual expenditure, and the need for investment of earnings may be taken as the chief factors leading to the organisation of this ancient institution. Its popularity is evident from the fact that at the time of the Banking Enquiry in Travancore alone there were 9931 live chit-funds involv-

ing an amount of Rs. 250 lakhs.[8] Even joint-stock banks and co-operative Societies in Kerala conduct chit-funds, as the best means of conserving capital and attracting deposits.[9]

The most popular forms of chit-fund now prevalent in Kerala and other parts of South India are of two types viz., (1) Lottery chit-funds and (2) Auction chit-funds.

In the first type the element of chance plays an important part. But there are different variations of this category, the difference being a difference in the degree of chance playing a part in the transaction. In some chit-funds, a spirit of gamble is encouraged by chance being given a prominent place regarding winning of prizes, though every one is assured of the return of capital investment. Their working is on the following lines. The organisers of the chit-fund get, say 1000 subscribers each paying 1 Re every month, say for a period of 80 months. The prize is determined by lot every month, and the prize will be say Rs. 100. The prize winner is released of all future obligations and the fortunate man will be in the position of a winner of a lottery. Every month this is continued, and at the end of 80 months, every subscriber is paid back Rs. 100 each. This variety of lottery chits, has been responsible for a good deal of exploitation of the ignorant by unscrupulous organisers. Every one hoping to be prize winner willingly joins the funds, but being disappointed on several occasions and finding it difficult to continue the monthly subscriptions regularly, many poor subscribers, even forfeit their deposits by default. The organisers get huge profits since every month Rs. 900 remains after paying the prizewinner and this sum accumulates with interest for 80 months before the termination of the fund. Due to these defects this system is now very much discouraged and strictly controlled.

The better conducted chit-funds organised by institutions and individuals and controlled by legislation in Travancore and

8. In the rest of Kerala i.e. Cochin and British Malabar, it may be fairly assumed that an equal number of chit-funds involving another Rs. 250 lakhs work.
9. In Travancore 166 joint-stock banks conduct chit funds.

Cochin are slightly different in their working. Chit-funds are organised for any amount say Rupees three, six, or twelve thousands with Government recognition. Since chit-funds of Rs. 3000 are very common we may take its working as typical. Shares of Rs. 100 are issued and the thirty share-holders form the members of the fund.[10] The organiser may be an individual or an institution. Usually such chit-funds last for 15 years. Each share contributes Rs. 100 every half year. The promoter or Kuri foreman has the right of taking the first Rs. 3000 (100×30=3000) which will be with him for the period of the chit-fund, and the interest from this sum is one of the items of profit for the promoter of the fund.

In some of the chit-funds every 6 months, the sum available, viz. Rs. 3000, is given over to one of the subscribers, the individual being settled by means of lot. He gets the lump sum of Rs. 3000 on offering proper security for his liability of future instalments. If security cannot be offered the chit-fund will usually pay interest to the winner of the lot, and money will be kept as a deposit in the fund. Every 6 months this is carried on till all the 30 shares have won the lot. Prize winning shares are eliminated from the lot, till on the last occasion there will be only one share and he will be given the sum without any lot. Thus in the course of 15 years every share-holder would get Rs. 3000; but those who get earlier get greater benefit as the interest from the sum would be usually more than sufficient to remit future instalments, while everyone would benefit by compulsory savings.

Another variation of this lottery chit is very popular now-a-days. The organisation is the same as the former, the difference being that the winner of the lot is not entitled to Rs. 3000 as in the former, case, but only to say, Rs. 2500. The balance of Rs. 500 is divided among the disappointed share-holders. Thus on the second instalment the 29 share-holders who were disappointed would get a profit of Rs. 17-4-0 per share (500|29) thus reducing their cash contribution to Rs. 83-12-0, instead of Rs. 100. Every half-year the disappointed members

10. Actually there will be more than 30 members since any one can take even a fraction of a share up to 1|32 of a share.

get this gain, which progressively increases as prize-winners are eliminated. Thus on the 26th instalment, when there will be only 5 share-holder, who would not have received the prize money, each share-holder will get Rs. 100 as profit and the amount is credited to their subscription. When it is the 29th instalment there will only be two share-holders to claim Rs. 500 and hence besides crediting Rs. 100 towards one's subscription, each share-holder will get a cash profit of Rs. 150 each. On the last occasion the share-holder will get Rs. 400 in cash besides Rs. 2500 the chit money. According to this system those who get the lot in the beginning get the benefit of interest, while those who get the prize money towards the close get the benefit of a good share of profits.

Auction chits are only a slight modification of this system regarding the determination of the method by which money is to be given on the occasion of each instalment of the chit. In its organisation and division of shares etc., it is similar. Instead of casting lots every 6 months, the amount of Rs. 3000 is thrown open for bid by the needy members—the process being the Dutch auction system of beginning with the highest and progressing downwards. The bid is based on the interest yield and the need of the individuals. If one is prepared to bid as low as Rs. 1750 for the sum of Rs. 3000 calculating an interest at 12 per cent, even then he is a gainer, since the sum of Rs. 1750 will yield per year Rs. 210 at 12 per cent, while he has to contribute only Rs. 200 per year. The profit of Rs. 1250 over the bid is then divided among the members, and thus each share will get Rs. 41-4-0 as the profit and the cash contribution is reduced so much. In some chits the bidder is excluded from the share of the profit while in others all share the profit equally. In this system the rates of profit progressively falls, as the earlier bids will be by the most needy, and hence the lowest.

The chit funds prevalent in Kerala help the subscribers to get a lump sum of money, and encourage thrift. They also serve the purpose of long term credit and provide facilities for easy instalment payments. The creditors and debtors are known to

each other well, and there is a great element of co-operation and mutual confidence. But like the nidhis these chit-funds also have their defects. There is an element of gambling which make some improvident and speculative, sometimes long term liabilities are unnecessarily incurred, and when the money got from these funds is invested in landed property, from which it is often difficult to get even 3 per cent return, these long term liabilities become very heavy, and sometimes end in the sale of the land and even other properties. In British India there is the additional defect that legislation has not been passed to regulate and restrict these funds.

The Travancore Banking Enquiry Committee in their Report make the following remark which sums up the merits and demerits of these institutions and their suggestions regarding their future are worth consideration by all those interested in the banking and credit organisation of South India.

" The great popularity of chittis is probably due to the deep-rooted 'chitty-habit' of the people which here takes the place of the banking habit of the westerners, and to the absence of suitable financing agencies. From the investors stand point a modern chitty offers the great advantage that it compels him to put by. When the instalment for the chitty approaches, the foreman is there to remind him and importune him to pay up. To those who have not the will to save, this is a great advantage. To the borrower, however high the interest may be, the institution offers the attraction of a loan repayable in easy instalments covered over a fairly long period. In a country where land is the only available security which may be offered for obtaining a loan, the chitty is the only institution which may be looked up for assistance..... Thus the habit of the people, the absence of any proper financing agency and the enterprise of the foreman, may be said to be the reasons for the development.

"However, it cannot but be admitted that the chitty is a crude form of banking. Hence they offer plenty of opportunities to the unscrupulous foremen to exploit the indifference, ignorance or gullibility of the subscribers, a large number of whom could

not realise the disadvantages and are carried away by the gambling spirit. The existence of these institutions are an impediment to the growth of joint-stock banking. We cannot recommend the abolition, but we do recommend that the conduct of Chitties is more properly controlled."[11]

Both in Travancore and Cochin there are Kuri Regulations to control these institutions and to safeguard the interests of the subscribers. But in British India there are no regulations controlling these institution though the Madras Provincial Banking Committee strongly recommended such enactment.

III

Conclusion.

Under the present constitution, Banking is a subject for Federal Legislature (Central—List No. I 7th schedule-Government of India Act). By suitable amendment of the necessary Acts these institutions may be brought under the Indian Companies Act as banking companies. If the rumoured Bank Act is to be enacted by the Indian Legislature, as the Insurance Act, the Act should be a comprehensive one including indigenous bankers and banking institutions. By suitable enactment, strict control and necessary reforms, the chit-funds and nidhis may be enabled to play their part in the banking and credit structure of South India. Gradually they can be developed into Land-mortgage Banks, Co-operative Credit Banks or ordinary joint-stock banks, and thus without destroying their indigenous characteristics, they can be reformed and reconstructed to suit modern needs of the people. In banking as in many other economic activities of our country, instead of wholesale transplantation of western institutions, we should try to graft new stems on the old stalks which have their roots in native soil. Let us be swedeshi not only in the articles of consumption as far as possible, but let us extend the principle to our institution which are the product of our needs and which are bound to flourish if nourished properly.

11. Travancore Banking Enquiry Committee Report, p. 182.



PRIVATE PROPERTY

By

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In these days of authoritarian and dictatorial forms of government, liberty is only a historic curiosity rather than a reality. The intolerable burden of the prolonged depression of the thirties had rudely shaken the very foundations of the economic system in which we live to-day. Plans of all kinds have been harassing this bewildering world. While there are eminent politicians and economists who hold the view that private property and "sublimated capitalism" are yet practicable propositions, there are others equally strong who maintain that some form of syndicalism, communism, fascism or socialism is a dire necessity. There are fanatics who hold irreconcilable plans. Planning is a present day panacea as perplexing to the pedant as it is popular to the protagonist. An amount of sand is liberally thrown on private property, private initiative, competition and capitalism. We have witnessed the magic of private property, and now we are forced to see its tragedy.

Philosophers, politicians and economists have always been in rebellion against feudalism, against oppression of the weak by the strong, against exploitation and against slavery. Ever since the days of the French Revolution, liberty, fraternity and equality stood as ideals in human relations. With what dramatic quickness did all these take place? Rousseau the exponent of the "General Will," and Adam Smith, the exponent of free trade, had both revolutionised the world. The curtain was lifted by them long ago; and the drama, a continuous comedy as the spectators thought, would be staged. But it took a tragic turn. With its splendours also came stark misery; and to-day we are trying slowly to drop the curtain.

Prewar economy recognised private property as a necessary condition for the welfare of the community. By the magic of private property bleak rocks were converted into fine gardens. Private initiative, *laissez faire*, capitalistic enterprise and private property were golden words. Poets sang in praise of them. Every state had recognised private property and states were forbidden from interfering in the economy of the country except in so far it was to guard property, life and liberty. Politicians and economists with one voice declared that the functions of the state should be limited to that field.

The system worked well for a time. There was rapid progress. Every nation sprang from its deep delves of misery. States were enriched. The whole of Europe was industrialised. There was a fourfold increase in the standard of life. Production and distribution of wealth reached their peak points. In spite of intermittent crises, unemployment and distrust, general prosperity could be noticed in the gay homes, pleasant gardens and beautiful roads on the country side. A host of innumerable comforts were the achievements of private initiative. But there was a gradual reaction. Everybody thought in the beginning that the pains caused by industrialisation were only transient. As years advanced, capitalism revealed that these pains were permanent. Classical economy fell into disrepute. There was reaction, especially from those economists, who declared that private property had given rise to problems like unemployment. Business fluctuations were uncomfortable to all parties; competition involved wastes and duplication and it distributed wealth most inequitably. In spite of all these, capitalism was intact till the dawn of the twentieth century.

The Great War, the reparations, the distrust and the depression have induced many states to protect themselves. In some of them private ownership of property has been abandoned. Where it is not abandoned, it is rigidly controlled. Capitalism is practically sent to the wall. The world is now in a chaotic condition. It has given rise to serious problems, and various

kinds of plans are suggested to mitigate the scandals of private property. It has been the duty of many to see watchfully and sympathetically what Europe will do. Nationalism has become aggressive. War drums are beating, flags are unfurled and bombs are bursting. The whole world is in a terrible panic. Like the previous wars, this will also end in victory for the Allies. All the nations will again become poorer, whether victorious or vanquished; and then the problem of reconstruction will reappear hydra-headed.

Private property was essentially based on the ethical and political conception of "liberty." Locke and Rousseau sang in praise of it. On the political plane it was regarded as a necessary condition of life. Liberty brings up social and political consciousness. For the development of individuality, liberty is a necessity. On these lines the eighteenth century economists tried to work. Feudalism had held men in bondage. With the French Revolution there was the introduction of complete economic liberty. The guilds were abolished. Tariffs were removed. Free air, unmolested by the smoke of restriction, pervaded Europe.

Private ownership meant essentially that the state ought to guard it and preserve it. The functions of the state were limited. The classical economists said that the state must not interfere in the economic field. On purely theoretical grounds they were in a position to prove that private initiative can bring about maximum satisfaction. Every individual, they said, knows how best he can spend his resources; and when everybody follows his own course and derives his satisfaction for himself the greatest good of the greatest number is got. Any interference on the part of the state will only lead to a reduction in aggregate satisfaction.

They maintained that the point of stable equilibrium is the point of maximum satisfaction. That is the only point where producers' surplus and consumers' surplus are at the maximum.

Any point, above or below that, will result in a reduction of satisfaction. Their argument was that competition free and perfect, alone can bring it up. Under competition price equates supply with demand. While the factors of production will always be engaged where their productivity is highest, factors of production will receive a price equal to their marginal productivity. That is every enterpreneur will so engage the factors that what he pays for a factor shall always be equal to the productivity of that factor. Because all factors of production are mobile and because there are innumerable buyers and sellers who cannot individually affect the price of any commodity, they are all engaged in the most remunerative places and occupations. The value of commodities is then equal to the cost of production and the most efficient producer will fix the price. All inefficient firms are weeded out and only optimum firms survive.

Thus it ensures that wages in different occupations shall always remain the same, for productivity is everywhere equal. If a labourer found that in some industry, productivity was greater he would move into it and reduce the productivity. Such a movement ensures cheap prices to the consumers. Productivity will be at the maximum; it is only then that the employer can derive all the profit he had calculated. All firms are then of the optimum size and the consumer has full sovereignty.

All these arguments were based on the assumption that there was perfect mobility of the factors of production. Such a movement is impossible. Land obviously cannot move. Labourers hardly desire to go out of their villages. Few people desire to invest capital abroad. The second assumption that there are innumerable buyers and sellers is also wrong, for producers are few. Capital and raw materials are also partly fixed.

Even in theory, competition breeds so many evils. To make matters worse, there is no full fledged competition. It is imperfect. It involves wastes due to advertisement etc. Various assortments of goods, which are almost duplicates come up.

There is no reason to believe that the best goods will be always produced; drugs and narcotics may hold the chief place. Wealth is distributed in unequal proportions, leading to inequality of opportunity and waste of potential economic welfare.

Thus, liberty in economic matters leads only to monopoly. The serpent of monopoly has entered the paradise of perfect competition. The aims of monopoly are only to reap big profits. The few rich possessing property will be able to exploit those who are weak.

In practice private enterprise showed all these defects. There was general unrest. At the height of capitalism labour troubles came up unceasingly. The communist party in fact rose in rebellion against the institution of private property and private enterprise. One writer particularly requires our attention and that is Karl Marx.

A reader of *Communist Manifesto* and *Das Kapital* is baffled rather than enlightened. It is a pedantic parade of learning, puerile mathematical formula and dexterous skating on thin ice. The sophistry in these works forces the unsophisticated reader to see a juggler or "necromancer who can elicit from his uncompromising hat a teeming progeny of rabits." History, Marx declared, is a record of struggles. It is a struggle between the lord and the slave, the master and the servant, the baron and the serf and, in short, between the 'haves' and the 'have-nots.' He says that a man who enjoys a gift of property, even though it was through luck or fraud, will be in a position to exploit the labourers and reap a profit. He also says that this class struggle can end only by a revolution. Labour must capture power; communist society envisages a classless stateless society.'

Alas, theory and facts are poles asunder. The Marxian theory is full of faults. Labour alone does not create value. Marx has divided the world into two camps, which is not true to life. By this, we do not mean that labour has not suffered by

private property. Private initiative and free competition have created more misery than happiness to the community.

While capitalism ensured the sovereignty of the consumer, allocation of resources to the most remunerative occupations, cheaper products and better standards of life, it cannot be forgotten that there are grave defects inherent in private property. Wealth is not divided on the basis of marginal productivity; but even if it were distributed on marginal productivity, such a distribution would be inequitable. Marginal productivity of labour depends entirely on circumstances. An owner of property has greater opportunity than a man without it. Unequal opportunity means faulty distribution, waste of potential economic welfare and distrust. Demands of the rich are always satisfied because demand means demand clothed in money, whereas the stark needs of the poor must go unsatisfied. Economic liberty is full of defects; labour unrest, unemployment, poverty, debt, dirt and disease. States have every where entered the field, and by various means attempted to ameliorate the condition of the poor. Price control has to a certain extent stopped monopolistic exploitation and in some cases they have taken up certain public utilities as a necessary step for the welfare of the community. Subsidies have been given by states to desirable industries.

But all this is only piece-meal and patch work. To avoid such half hearted measures, gigantic attempts have been made by various European countries to overcome the scandals of private property.

After a revolution in 1917, Lenin formed a new government in Russia. As a student of Marx, he believed in the efficacy of communism. All private property was confiscated and means of production and distribution were taken over by the state. There was rationing. The system did not work well. The first five year plan was inaugurated to speed up production. It was not much of a success. In the second five year plan much of Marxian

philosophy was dead. Money has reappeared and there is no dead level of equality now. The most important thing to note is that since 1936 private property is permitted in Russia.

In Italy, there was a march on Rome. Self sufficiency knocked at the door. Though Mussolini said that Italy would never be forced off the gold standard and the lira would never be devalued, both these things have been done. Fascism recognises private property, but it is entirely subject to state control. The state virtually allocates all resources as it pleases. Private property exists only to aid military machine. But in spite of all these innovations, the standard of life is lamentably low in Italy.

In Germany the principle of Nazism has played the greatest havoc. Here also, private property is rigorously controlled by the state. The community is regularly exploited for war preparation. The principle of nationalism "expressed culturally can enrich the world; expressed economically it can impoverish the world and expressed militarily it can destroy it." Europe now consists of different camps of impoverished nations.

There is dissatisfaction even in England with the old system under which British trade and industry grew and prospered in the nineteenth century. The crisis has shaken England's faith in freedom of enterprise. Economists like J. M. Keynes and statesmen hold that the whole body of *laissez faire* doctrine, the undiluted individualistic philosophy of Bentham and his school, has broken down, is dead and ought to be buried. They would substitute, for individualism that is dead, "conscious corporative planning." This 'conscious corporative planning is not an imported commodity, like Sir Oswald Mosley's 'black shirts,' it is genuinely British. It is planning consistent with freedom. The British people are to show to the world that planning is consistent with freedom and freedom with planning. Can capitalism plan? Capitalism is founded on freedom of enterprise. To reconcile planning with freedom it has to be shown that a country or government can plan while re-

taining freedom of enterprise and the right of private property. Some people find it difficult to grasp this new idea. But those who are familiar with British character and conditions can understand how these apparently inconsistent things can be reconciled.

J. M. Keynes has clearly foreseen and expressed the natural line of capitalist evolution in the coming years. He would modify individualism, not destroy it. The state is not to assume the functions of a producer, but it may recognise semi-autonomous bodies which carry on productive activities, not for the sake of profit but in public interest. Shareholders as at present will provide the capital. But they "must be satisfied by conventionally adequate dividends." The semi-autonomous bodies will enjoy a semi-monopolistic position and will be subject to public criticism. Keynes prefers semi-autonomous corporations to organs of the central government for which ministers of state are directly responsible. He is therefore not a Fascist. The type of corporation that he has in mind is well represented by the Bank of England. It is a private joint stock company, but managed in the interest of the British nation. Considerations of shareholders' dividends are of no importance in the management of the Bank of England.

If all production were controlled by semi-autonomous corporations, formed and managed on the model of the Bank of England, Sir Basil Blackett's ideal of planning consistent with freedom will be realised.

The proposal is far-reaching. It lays the axe at the root of unbridled private property. It uproots the whole tree of individualism. Individualistic production is directed by the desire for profit. Money-making motives play the most important part in the organisation of production and sale under the present system. Keynes does not abolish profits, but he reduces them to a dead, uninspiring level. Having provided the capital, shareholders are required to cultivate a certain amount of indif-

ference towards money. The incentive to private gain as the mainspring of economic activity is suppressed. What guarantee is there, one may ask, that semi-autonomous bodies, which enjoy a semi-monopolistic position, will not abuse their power and position? One might argue that the Bank of England is in a class by itself; it is not typical of the ordinary joint stock company engaged in production. To this we might answer that such corporative planning is successfully carried on both in Portugal and in Belgium.

Can we do it in India? Our main industry is agriculture. Can we regulate agricultural production according to corporative planning? I think it is difficult to plan for agriculture, as it is an industry comprising millions of people, each working independantly on a small scale. Besides, Indian opinion has a profound distrust of semi-autonomous institutions like the company managed railways and the central bank. But such objections will disappear when we get a responsible government.

Our conclusion is that conscious control has replaced private initiative. Every state is trying to regulate its economy in the best interests of the community. It is necessary, therefore, that the state must strictly regulate private property. It has been thought that no great contribution to the solution of this problem could be made by economists as they never agree. But economists are not on false scent. All these plans to restrict the mischief of private property have been carefully thought out. No planning in theory can create an Utopia. It must be practical. One thing is clear; that is, we can no longer rely on the magic of private property. We must not prostitute thought. It will be a great delight for the gods and a pathetic drama for the mortals if we are not able to make use of what He, in his infinite mercy, has given to us. Reason must rehabilitate economic life.

INSURANCE IN ANCIENT AND MODERN INDIA

By

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Insurance is nothing strange or new to India. It might come as a surprise to many that Insurance had its origin in India. Manu, the Indian Law-giver, enjoined that a special charge be made on goods carried from one town to another "to ensure their safe carriage until handed over to the consignee at destination." This is what an English writer says on the subject: "If we want a remote example akin to our modern conception of the meaning of the word 'Insurance,' we can turn to India where it is recorded in the 'Institutes of Manu,' which was compiled sometime before the Christian era, that in estimating the tax to be levied on the trader, some consideration should be given to a well-known charge for the transit of goods for securing the goods carried."

In Colonel Love's *Vestiges of Old Madras,* it is stated that "in 1687, the East India Company resolved to set up an Insurance Office at Fort St. George, for the furtherance of your trade and our Customes." The following extract (the spelling of certain words in it is as it was in the original), illustrates the terms of business:—

"The Company to Fort. St. George.

We now send you all proper Books for Assurances, with a sufficient number of printed policies.....And we do appoint that Mr. Thomas Gray, who comes to you by this Ship, be Register of Assurance and keep the account of Companys Revenue arising thereby under the controul of our President and council..

"To set the wheels a going, we are content, and do hereby impower, you to write, by way of assureing 5,000 £ adventure from

India to England upon any our three decked Ships at the praemio of 5 per cent if you apprehend no extraordinary danger, but the subscription to be made by our Register of Assurances for the time being at companys risgo, and by order first entered in your Councill Bookes. But our Register is not to subscribe any Policy at the Companys hazard untill the praemio be first agreed in Council,.....neither is he to subscribe any Policy Assurance to any adventure untill the praemio is first paid into our Cash, and that he has a Certificate thereof from the under Cashire. These are our Limitations, which you are not to alter or go from upon any pretence whatsoever, either in taking less than we have appointed, or writeng more adventure upon any one Ship than five thousand Pounds as aforesaid; neither are you to write upon any other Ship or Voyage for our account and risgo then our three Decked Ships homeward bound. But if you are desired to assure any adventure upon our said three decked ships, homeward in a time of greater danger or hazard then at present appears, You are in such case to demand such great praemio as the extraordinary danger in your judgment shall deserve....."

In the book entitled "Thomas Parry, Free Merchant, Madras 1768-1824" by Mr. G. H. Hodgson, it is stated that 'in 1796 Parry was appointed Secretary to the Carnatic Insurance Co., a salaried post which did not seem to interfere in any way with the working of his own private business. The first Insurance Company had been established in Madras in 1688, but it is not known how long it lasted nor when the Carnatic Insurance Co. was founded. The latter Company managed to survive the difficult years of the French Wars from 1793 to 1810.'

Nothing is new, says the adage, which is not already old. And in taking to Insurance, India is only showing hospitality to an old friend. For, it is gratifying to learn that a suspicion or superstition among Indians that to insure life means, like writing a will, "to court death" is steadily dying out, yielding place to a faith in the prudence of insuring one's life as the best 'policy', like honesty.

In this connection, it might be amusing to note how a study of Longfellow's *Ladder of St. Augustine* acted on a late Sub-Magistrate of Cuddapah (Mr. Taddur Narasimham Rao Pantulu). He states in his book entitled *Jnanodayam*, that after a study of that oft-read poem, he felt sorry that he had taken out a whole life policy, by which there was to him the undesirable danger of enabling his heirs to acquire a sum which he might not have paid in full and that, therefore, he let his policy lapse. But I would invite others of his way of thinking to glance at the interesting and instructive adaptation of a stanza of the same Philanthropist Poet, which I take from an Insurance Journal:

> Lives of great men all remind us
> We can make our lives secure,
> And departing, leave behind us,
> Something solid and something sure—
>
> (i.e., Life Insurance Policy).

Indian Insurance enterprise has had its recognition too, and a place of equality and independence was secured for it in the *World's Ninth International Congress of Actuaries* held in 1931 at Stockholm under the patronage of the then H. M. the King of Sweden, by Dr. S. Kaboor, B.A., Ph.D., F.S.S., who attended the Congress throughout the Session. He fought for and secured an independent place for India in that Congress. The stanza of Longfellow quoted above was so well adapted for our needs by him.

On Dr. Kaboor, the Lecturership on Insurance was conferred by Dr. Besant, the Founder of the National University of Adyar, at which the subject of Insurance was among those taught.

I have had occasion to study the subject of Insurance when I was entrusted with the task of submitting a Minute on behalf of the Indian Officers' Association, Madras, on the Insurance Bill of the Government of India, circulated in 1931, among all public institutions and leaders of public opinion. This task I had the pleasure of sharing with no less an authority on matters relating to Insurance than Dr. Kaboor. The Minute, as approved by

the said Association, was submitted to the Governmt of India through the Government of Madras. It was deplorable fact that the number of those who insured in India compared with those in other countries was microscopic.

It was only the other day that Sir C.P. Ramaswamy Ayyar, Dewan of Travancore, or Sir Mirza M. Ismail, Ex-Dewan of Mysore, in an interest-provoking speech pointed out the neglect of studies of direct and practical importance to the progress of the country, such as Banking, Commerce, Accountancy; and he wished to give sufficient importance to the study of Insurance, as they do in America. The subject of 'Annuities and Life Insurance' was one of the subjects in the scheme of the Madras Government Technical Examinations. Ten candidates appeared for the examination in this subject during 1916-1924, and four secured certificates. As no candidate appeared in it after 1924, the subject had to be removed from the scheme. In the syllabus for Elements of Commerce and Accountancy, as optional subject for the Intermediate Examination of the Madras University, only Insurance (fire and marine) is mentioned. It is a pity. It is hoped that this subject will receive the adequate recognition which it deserves.

CAPITAL DEVELOPMENT OF INDIA—PRINCIPLES OF POLICY—(1850-1913)

By

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The period 1850-1913 marks a well defined phase of the social evolution of the Indian Empire. The capital development of India—and the World—may be said to have begun with the construction of the earliest implements of the stoneage and a presentation of the available data from the earliest times onwards would no doubt afford a grand historical perspective. It certainly reached an impressive stage in India, where some of the earliest deltaic civilisations were to be found, long before civilised capital development took place in the British Isles. In India there were already highly specialised handicrafts, splendid edifices and ambitious irrigation works at a time when Britain was populated by red-haired, naked savages described by Julius Caesar. The reason for commencing with 1850 is that quite a new kind of capital development of India then became possible.

England had then passed through what is roughly known as the Industrial Revolution. That was characterised by mechanised production in factories. The mechanised manufacture was based on steam power and coal, on the heavy iron (and later steel) industry which made the principal material of the bodies of the machines, and, of course, on the rapid spread of railways since about 1830. By 1850 the development of *laissez-faire* industrial capitalism had so far matured in England that Karl Marx began (in 1848) to prognosticate its early death in England (and elsewhere) from natural causes of old age. The prognostications were resumed with increased vigour (perhaps as inverted gratitude for the hospitality offered to Karl Marx by

Queen Victoria) when Vol. I of *Das Kapital* appeared in 1867, based principally on the British economic material.*

However, private capitalism in England outlived the predictions—and Marx himself. Indeed, it appears to have reached a vigorous old age, but all the same there is something in the theory that its lease of life has been extended by the development of British foreign investment, which Marx did not anticipate. Marx's gloomy prognostications were (partly) based on the theory of "exhaustion" of British investment opportunity at home, on account of insufficient "propensity to consume" on the part of the British owners of wealth combined with the inadequacy of the consuming power (income) of British labour as determined by the "blind" forces of competition. On that theory the inadequacy of expenditure on consumption would lead to a decline in the demand for new capital goods below the level compatible with full employment of labour and of industrial plant, with chronic under-employment as the result. That might have happened in England around 1850, had not the new "investment opportunity" overseas made up for any lack of it at home. That was one of the reasons why the "knell ringing" started by Karl in 1848 was premature. Capitalism in England was not ripe for death in 1850. Instead, it was ready for a campaign of overseas investment.

Three main factors conspired to produce that situation. The new technological methods based on steam-power, especially railways, reached a sufficiently mature stage for transplantation to the virgin soil of overseas countries. Secondly, the industrial base in England expanded sufficiently to permit of export of the novel capital equipment on a large scale. Not only the industrial plant, railway, dock and shipping facilities had grown rapid-

*Marx was the first economic investigator to recognise the value and make extensive use of the British Blue Books. His respect for facts shows up the scientific side of his personality. His scientific propositions, however, tend to be obscured by his propagandist zeal and by his use of Hegel's neurotic terminology.

ly, but also labour power, as a result of the unprecedently fast increase of population in England. Thirdly, the national supply of saving had increased *pari passu* in England, as a result not only of the fortunes made by the industrialists out of the Industrial Revolution, but also in consequence of the increased income and size of the middle classes. Thus England had both the power to produce the novel capital equipment for the purpose of installing it in overseas countries, and the savings necessary to finance the operation. This was supplemented, of course, by the related power to export skill and organising ability, and to transplant the improved economic "institutional" techniques of banking, currency, insurance, trading methods, and corporate finance. It would be foolish, too, to under-estimate the importance of the export of *laissez-faire* principles and commercial ethics, and of the liberal principles of social democracy. Nor is it adequate to view the position of 1850 too statically. From the dynamic point of view, the whole economy of Great Britain was like a wound-up spring ready to release an ever increasing stream of energy on the external world. For, there was a rapid upward trend in the general producing power of Britain, typified by the rapid improvement in the methods and volume of production of steel, to mention a single instance on the technological side. This could hardly escape the notice of responsible industrialists and financiers who must have realised that considerable as the capacity of Britain seemed for purposes of capital development overseas in the years around 1850, there was a definite promise of still greater things to come.

By 1850 England was ready to develop overseas countries lacking in the new type of capital equipment, and none more so than India. India had already a valuable foreign trade and this improved the investment opportunity, because much of the new equipment—especially railways and docks—was bound to pay by facilitating the export and import trade. The investment opportunity in India competed successfully with that in England because it was a question largely of reproducing in India types of capital construction which had already been carried out in

England. It may be claimed that the demand for long term finance in India not only supplemented the demand for investment in England, but augmented the home demand, by stimulating the demand for increased equipment—in the heavy and engigineering industries, and also by including an increased demand for manufactured consumption goods for export. The opportunity for foreign investment indeed staved off a permanent industrial depression in England, which otherwise would have almost certainly recompensed that dominant Victorian virtue, the fanatical propensity to save. The fundamental novelty of the phase of capital development of India from 1850 onwards consisted of the new technology based on the coal, iron and steel industry in England and on the steam engine as applied, especially, to railway transportation, and the commencement of the phase was determined by the readiness of Great Britain for initiating it. It is quite astonishing that only twenty-five years after Stephenson's first train ran in England, it should have been possible to inaugurate the railway age in India. One tends perhaps to under-estimate the fact that the new phase of development in India was based on the introduction of new technique (railway) and engineering knowledge (irrigation). The development was mainly that of agricultural output and foreign trade rather than "industrialisation" in the familiar sense. The new phase was the result both of the technological progress in England and the world outside India (especially the improvement in world communications), and also of the selective application of the new technology to the development of agriculture and the internal and external trade of India.

It is by no means as obvious, as it seems at first sight, why India and many other economically "retarded" countries should tend to an agricultural "bias" in (course of) the first stages of modern capital development, and not undergo a more marked "industrialisation" from the beginning. It is not also altogether obvious why the export of capital equipment from Britain to India should have been accompanied by the export of financial capital. The main answer to this question is that, although there

was considerable financial capital in the hands of the merchants, large landowners and money-lenders in India, it was kept canalised in the more or less traditional avenues of investment. In particular, the growing merchant financial capital was absorbed for a long time by the need to finance the growing volume of trade which was brought about by the novel capital development. Also, the Indian capitalists were not accustomed for a long time to holding shares in private or government undertakings, and the machinery for tapping the national savings for pooling them for large scale investment was very slow to develop. The sources of saving themselves were insufficient in India for purposes of the novel capital construction after meeting the traditional requirements of trade and agriculture. The familiar reason for this was the prevalence of extreme poverty, the low real income per head of the population. Lack of financial organisation and the excessive "liquidity preference" for land, rendered for a long time such sources of saving as did exist largely ineffective for purposes of "modern" investment. In Britain, on the other hand, there were the requisite institutions to render the ample sources of saving there more effective. In that sense in Britain there was, almost literally, an *embarras de richesse*. But before the railway age in India, there were no adequate institutions for making British saving available for long-term investment in India. The functions of the institutions facilitating British lending to India can be explained very simply, as follows:

Suppose z was the average or the most probable rate of earnings (or interest) expected by British investors on capital invested (for a long term) in India at an annual rate Q. Then the net rate of earnings can be called n, where $n=z-s$, s being the "risk premium"—or a compensation for the extra trouble and risk of lending to India as compared to investing, say, in British Consols.

If the rate of return on Consols was i, British investors would rather put their money in India than in Consols so long as n was greater than i. Hence, for the actual level of investment

in India, we have $n=i$, for otherwise they would have invested more.

Now, the purpose of any institution* facilitating British investment in India was to try and increase the net rate of return $n=z-s$. In other words, they served either to increase z or reduce s, or to do both these things. Thus the risk cost s was reduced to the railway investors by the guarantee of 5 per cent sterling interest. Similarly, the technical experts of the Public Works Department increased the rate of interest z which the State could afford to pay to the investors in irrigation, by preparing good plans for irrigation works.

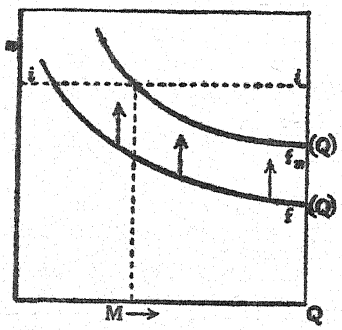
There is nothing elusive about the concept of the risk cost (or "premium") s. It can be measured and studied statistically. From the condition $n=i$, we have $s=z-i$. Thus in 1853 when the yield of Consols was about 3 per cent, the risk premium on capital raised in that year by flotation of 5 per cent guaranteed Indian railway stock was approximately $s=5-3=2$ per cent. The risk premium s would have been higher still but for the guarantee.

The net rate $n=z-s$ of return on the capital (Q) invested in a particular year depended on that rate of investment (Q). In these circumstances, the idea of "maximising" n is a little complicated and a diagram will help to show what is meant. The dependence of n on Q can be expressed by the function $n=f$ (Q).

Maximising n then means all efforts of special institutions to try and increase n for all value of Q. Thus, if the curve $f(m)$ on the diagram represents the dependence of the net yield on the rate of investment, the "maximising" consists of all efforts to raise the curve f(Q) (as indicated by arrows) to the highest position possible, say the curve f_m(Q). In other words, the institutions which were designed to facilitate investment had the effect of "raising the demand curve for capital."

*The word 'institution' is here used in the sense of 'Social organ'—the family Parliament, the Bank of England, etc.

The actual amount invested during a given year in India is M, determined by the intersection of the curve $f_m(Q)$ and the horizontal line $i\ i$, the height of which measures the rate of yield i on Consols in England, that is, M is determined by the condition that $n=i$. Clearly, the efforts to raise the curve $f(Q)$ amount to maximising M, that is, maximising the actual investment which is profitable to make. The function $f(Q)$ can be called the British investment opportunity in India, and efforts to raise the curve $f(Q)$ can be referred to as "maximising the investment opportunity in India." It will be noticed that the foregoing construction is a great simplification of the facts. But it will do quite well for discussing forces which tended to improve the investment opportunity in India. It applies equally to the opportunity to invest in government paper and to the opportunity to invest in tea plantations, banks and the like.



The fundamental institution designed to maximise the opportunity for investment of British capital in India was the new Government of India under the British Crown, set up in 1858.

It was the administration of Dalhousie (1848-56) that foreshadowed the political change. Plans for construction and administration of railways were laid down and in 1855 the first link of railway was completed. The Ganges canal was opened and State-irrigation gathered momentum. A telegraphic system, post-offices and postage stamps were introduced and rates of postage reduced. A Public Works Department was set up in each

province, construction of metalled roads and bridges accelerated, and engineering colleges were opened.

It was obvious that much of the new capital development had to be financed by British capital on an unprecedented scale as in the case of irrigation and especially in that of railways. The political system and machinery attained by 1848 under the rule of the Company was quite unsuitable for purposes of new capital development and for the large scale import of British finance. The economic territorial unification which railways are intended to achieve, called for greater political unification of the territories of India. This political unification was carried far by Dalhousie's policy of annexation of some Indian States and of intensifying British influence in others. Similarly, coercive measures were taken against the hill-men on the North West to prevent their periodic plunder-raids on the cultivators of the Punjab, a measure calculated to improve the investment opportunity in that province. As usual in polite society, the genetic factors of the policy of territorial aggression were copiously disguised with fig-leaves. To quote just one fig-leaf instance. The annexation of Oudh was said to have been prompted by motives of Christian morality and even in opposition to considerations of political expediency. The important fact that Lucknow was a natural centre for railway communications was not somehow made explicit. But it was stated that the private life of the last King of Oudh did not compare favourably with that of the Prince Consort, and that his administration was inefficient (which was true) and oppressive to his subjects. The reason given by Dalhousie for the annexation, therefore, was that "the British Government would be guilty in the sight of God and man, if it were any longer to aid in sustaining by its countenance an administration fraught with suffering to millions."

Fundamentally, the policy of political unification of India was dictated by the desire to improve the investment-opportunity in India for British long-term (and short-term) capital. The improvement of the investment opportunity was made up of

three components. First, political unification destroyed political barriers which stood in the way of the economies of "division of labour" and of the "extent of the market". The advantage of this for planning of railways and large irrigation works was obvious, and was also great for other forms of investment where the question of physical territorial extension of an investment project did not arise. Secondly, British methods of administration (although offering room for improvement) were better suited to the novel capital development than were the "medievalesque" methods of the Indian States. Thirdly, the fact that the unifying authority was British, placed the territories under its control into a close contact with the London capital market. The general character of this financial contact is probably obvious.

The change of political principle meant an improvement in political planning. Under the influence of long-term investors the whole policy became more far-sighted, because they invested for a much longer period than the traders whose fortunes were mainly locked up in "working capital." The improvement was inherent in the nature of long-term investment. Just because the great investment projects, railways and irrigation works, were essentially of a long-term character, the policy of the Government of India had to be guided to an increased extent by considerations of a long-term character, otherwise the investors would have been displeased. Policy had to be more far-sighted for two main reasons. First, railway and irrigation development was of a basic sort and involved a long chain of vast "external economies" which affected the whole of the economy of India, and estimation of prospective profitability of basic investment in itself involved a good deal of economic foresight, if not comprehensive long-range planning. Dalhousie and his successors could not escape this consideration, although their formulations of economic planning were somewhat inarticulate by modern standards. The book of the Strachey Brothers, however, and later the 1903 Irrigation Report, show that economic planning reached

quite a high level of articulation on occasions. The second reason for far-sightedness arose from the fact that the profitability and security of long-term investment depended largely on social stability, the rule of law and on the degree of efficiency of the bureaucratic machine. Fundamentally, the prospects of investment depended on the level of prosperity (or poverty) and security of the cultivators of the soil, and on the increase of population. Hence, reforms and administrative action promoting the welfare of the peasant became worthwhile as a means of promoting the profitability of long-term investment. In that sense, the interests of the Indian cultivator and the British investor were in substantial agreement.

A certain measure of philanthropy in Indian policy was financially profitable to the British investors. The leading example of this was the policy of famine relief and famine protection—by means of railway transport of food grains and by the works of irrigation. This policy, partly deliberate and partly an automatic result of capital-development, contributed greatly to the reduction of famine mortality and suffering, and to the increase of population. The financial profitability of social stability and prevention of social conflict led to such "liberal" efforts as the attempted measures to palliate the burden of rural indebtedness to prevent such uneconomic occurrences as the Deccan riots, and to such gradual reforms of conditions of employment of labour as in the case of the tea industry. While there was conflict of interest between British employers and Indian labour over their distribution of shares in their common gross earnings, as on their plantations and the jute mills, British investors as a class had a common interest in minimising such conflict. That is why factory inspection and health services were insisted upon by the Government, even in the face of opposition of some of the employers. The will to maintain and improve the general investment-opportunity was paramount, and individual attempts to "queer the pitch" of investment were to be deprecated.

There was a broad agreement of the interests of traders and British manufacturers exporting to India, on the one hand, and the long-term investors on the other, for much the same reasons as those which determined the important measure of agreement between the interests of Indian cultivators and the investors. Capital development was bound to open up the Indian market, both for the export and import trades, as well as for internal commerce. In fact, capital development was accompanied by an extraordinary expansion of India's foreign trade. In particular, British equipment makers benefited directly from capital development in India.

A considerable proportion of British investment on Indian railways was spent on equipment purchased in England. Equipment for jute mills was imported from Britain, and so were the installations of the cotton mills, although these were financed by Indian capital. A small proportion of the outlay on irrigation works and on tea plantations was spent on equipment in England.

The only important class which was adversely affected by the capital development were the artisans who were forced to change occupation (usually turn to agriculture), because of the increased import of British manufacturers. Indian manufacturers can also be said to have been adversely affected in the sense that establishment of modern manufacturing industry in India was delayed by the competition of British industry under conditions (substantially) of free trade.

Through the substantial agreement of economic interest of British investors and the main economic groups in India and in Britain, the financial interests were qualified to influence and even to dominate the Government of India. Only a careful investigation, particularly into the papers of the India Office, could give an accurate picture of the distribution of power between the financial, the commercial, and the manufacturing and industrial interests. It is hoped that someone will undertake this important investigation in the political history of India. But from the

mere fact that British long-term investment was accumulating it is clear that financial interests were acquiring increasing motive and ability to control the Government of India. This is confirmed by Mr. Abraham's evidence before the 1913 Chamberlain Commission, outlining the composition and procedure of the Council of the Secretary of State. The "City member" was probably the principal power behind the throne. Certainly he had great influence on the borrowing and monetary programmes of the Government of India and on the budget of the "local" Government in India. Final responsibility rested with the Secretary of State. But to whom was he responsible? Theoretically to Parliament as a whole. The majority of members, however, were ignorant of, and not interested in, the affairs of India. The few members who took interest and influenced the Secretary of State were just those who represented the financial, commercial and industrial groups concerned with India. The investors by 1913 must have had the dominant political influence as compared with the other groups. They were more concerned with the future of India, because much of their money was locked up there for a long time. Their profits were more "sensitive", more dependent upon, the conditions in India than the profits of the traders and exporters. The capital equipment in railways could not be withdrawn from India, while the traders and exporters must have thought that they could compensate themselves, to some extent, for any loss of Indian trade by diverting their activities to other countries and the home market. In so far as the British money invested in India by 1913 was roughly of the same order of magnitude as the capitalised value of the British profits from trade with India, the political influence of financiers and traders should have been roughly equal. Against this, it would have been much harder to withdraw the capital invested in India than the capital invested in the trade with India by British export industrialists and by the traders. This, combined with the fact that British long-term investment made it necessary to look further ahead and pursue a long-term policy in India, must have required the

principal control of the administration of India to be placed into the hands of the investors. These had a motive for wanting the leading control and had the ability to obtain it. They got the control because they were a well organised political group with immense (silent) influence in Parliament and because they were not opposed by the industrialists and the commercial classes, who saw that so far as India was concerned it was to the advantage of the investor group to promote the interests of the exporters and the traders. So far as these latter classes were concerned, the Government of India could not be in safer hands. The stocks and shares representing British capital invested in India became, so to speak, the "controlling" share-portfolio of the whole concern of the Indian Empire. This was important from the point of view of capital development of the Indian Empire. The whole capital development of India became governed largely by the condition that the (capitalised) profits of the investors were maximised. It operated in every country where private enterprise obtained, but nowhere in a higher degree than in the case of the Indian Empire. That was so because there was no powerful class to whom the investors in India had to make concessions. The class of British exporters, traders and bankers, were powerful, but the long-term investors did not have to bargain with them because the interests of all of them coincided—because the incomes of these groups were highly correlated. It has not been argued that the investor class was more powerfully organised than the other, that was so in some respects and situations and not in others. It was argued that the investors had a stronger motive than the other British interests for assuming the strategic control of Indian policy—that this motive arose from the fact that their capital was more "specifically" invested in India and for a long-term, and that the other groups did not oppose the ambitions of the investor class because the latter looked well after the profits of the British exporters and traders, etc. No doubt there were minor conflicts, but they did not matter enough to upset the distribution of power. Thus British locomotive

makers would have welcomed a bolder railway policy in India, but they did not risk a quarrel on that account with the financial interests, who might have retaliated by insisting that more equipment orders should be placed in America. It is probably a mistake to suppose that the influence of the financiers depended on their subscriptions to new loans to the Secretary of State —it was superfluous to exercise pressure in this way because they already had adequate control of him through the machinery of the political party of which he was a member. The Secretary of State was no "autocrat" of the popular superstition. He and the government under him were an instrument of the dominant economic groups, mainly, it would appear, of the British investors of long-term capital in India. This state of affairs did not come about suddenly, but gradually, as British investments in India accumulated.

From the stand-point of economic welfare, or Social Utility, the main class who should have been taken into account by the administrators of India, were the agricultural community because this comprised the overwhelming majority of the human beings directly affected by the administration.

It has already been stated that the profits of investment in India depended on the growth of the income of Indian cultivators and on opposing violent fluctuations of that income on account of famines and internal wars. It paid the investors to insist on a benevolent policy to the cultivators. The irrigation and railway investment and the growth of foreign trade benefited both the investors and the agriculturalists. The commercialisation of agriculture which was inherent in the capital development was bound to increase the real income of the average cultivator —if the universal experience of other countries is any guide to this. Unfortunately the direct evidence of any change in the standard of living of the agriculturalist is scanty and difficult to assess. But the 1911 Census Report speaks of increased "prosperity" of the agriculturalists, although the actual level was miserable by British and American standards. There is little

ground for doubting the veracity of the Census Report in this respect, because some improvement in the standard of living of the masses is inherent in the process of capital development—because this increases productivity and this would have been useless and unprofitable to capitalists if the masses did not consume more. Of course the average real income tended to be reduced on the classical theory of population, (usually ascribed to Malthus, who was a bit of a plagiarist) due to the pressure of the population on the limited supply of cultivable soil. The theory is shaky in several respects, but the experience of all countries where it has been carefully analysed, shows that any Malthusian tendency of real incomes to fall is more than counteracted by the forces of capital development. This was fairly clearly pointed out by Ricardo.

The important qualifications to the benefit conferred by capital development on the agriculturalists are the trade-cycle nuisance and the process of expropriation or "alienation" induced in agriculture by "commercialisation" and the spread of more capitalistic methods of production and entrepreneurial control. The trade-cycle nuisance was increased by the capital development because this increased the share of foreign trade in the total volume of transactions (or the income derived from production for export as a proportion of the total national income) and, secondly led to the spread of money-economy. The increased foreign trade meant that the total national income in India became more sensitive to the world trade-cycle (to the cyclical fluctuation in the world-demand for Indian exports). The spread of the money-economy to the village meant that the world cycle began to be felt there, (a) in so far as the village produced for export, and (b) *via* the "multiplier" effect of reduced expenditure by those agriculturalists (and traders, etc.), who depended on the exports.

Another qualification to the benefits conferred on the population by the rule of investors is the peculiar "rentier" mentality of these rulers as regards public expenditure on

social services and on public works and the rate of investment in railways and irrigation. The "rentier" mentality paid too much attention to commercial profitability and too little to the external economies of the expenditure, so that expenditure under these heads—on education, health and railways, etc., was kept below the level at which social utility was maximised.

On the whole, the "investors" were qualified for the role of rulers of India in the special historical context of the period from 1850 to 1913. But times change. One can point out defects of their policy and wish they were repaired. But there was no practical alternative ruling group that would have done the job any better. The dominance of purely commercial interests, as under the old Company would have been worse. The rentiers, because they invested for a long time, looked ahead for a long time. And it is a commonplace that a longer foresight tends to produce a more rational long-term policy, simply because more of the consequences of action are foreseen. In addition, the financing of basic types of capital projects, such as railways and irrigation works were, caused the investors to be interested in the growth of the general national income, and to take less "sectional" selfish views such as are taken by merchants and manufacturers. Of most kinds of "vested interest," the financiers of basic capital projects take a more comprehensive view of economic and social policy—because it is in their interest to do so.

The main justification of the rule of investors was that they provided what was badly needed by India—money for the financing of capital development, and placed at her disposal what were (till the turn of the century) the leading equipment makers and technical experts in the world. Granted that the investors took a long view and had an interest in the growth of the national income of India, it cannot be too often stated that they suffered from this defect of their qualities: they based their political action on the principle of maximising their (capitalised) profits, instead of on the principles of maximising social

utility—that is maximising the welfare of the masses. Even when the two principles happen to agree in practice, the agreement is never complete and there were important deviations of policy based on profit from the lines of Social Utility, in the case of India during the period under investigation. The financier was interested in the welfare of the cultivator—but not enough.

The important question: Who were the subscribers to the loans for India and who were their spokesmen before the Secretary of State, does not appear to have been investigated. Until someone will carry out this investigation, all political histories of modern India—and to some extent those of Britain—will remain somewhat superficial because lacking in knowledge of the basic facts, the mainsprings of British policy relative to India. One obstacle to research here is the traditional secretiveness of City financiers and the secretiveness as regards the way in which the investors were organised to exert their influence on the Secretary of State. The studious reserve of the Victorian financier seemed to suggest that he had no interest in politics just as the crinoline, as someone remarked, seemed to proclaim that Victorian ladies had no legs. It is not difficult, however, to guess roughly the way in which Indian policy was determined by the investors. For example, having tasted the profitability of railway investment during the railway boom in England in the 'forties, many of the railway investors must have felt a desire to finance railways overseas, including India. They must have made their wishes known to the British Government, who appointed Dalhousie to start making India more fit for railway investment by a series of measures of which the annexation policy was a characteristic method.

It is no historical coincidence that the man who was instructed to open the railway age in India should have had close knowledge of railway problems and had close relations with the railway investors and constructors. Dalhousie was at the Board of Trade, becoming president of it in 1845. During the crisis of "railway mania" in England, he studied railway questions till he

was sick. He was then offered the post of President of the Railway Board which was being formed in a (vain) attempt to resolve the chaos of competitive railway construction and operation in Great Britain. He declined the offer to reorganise the railways in England and instead undertook the task of introducing them in India.

In many ways he was ideally suited to represent the British railway investors and constructors in India. In particular, as a result of his sojourn at the Board of Trade during the outburst of railway construction and finance in England, and having had a place in the British Cabinet, his contacts with the investors and constructors were most intimate, and so was his knowledge of their requirements and ambitions. He seems to have been a little too eager to serve his masters. In his hurry, he provoked the Indian mutiny. In his eagerness to please the investors he devised the system of guaranteed interest which secured advantages to share-holders at the expense of efficiency of railway construction and operation. But these are minor matters in comparison with the importance of the pioneer effort of providing India with railways.

Whether by provoking mutiny it was worthwhile shedding the blood of Indians and Englishmen in order to speed up the investment in railways is largely a moral question of a kind which may perplex the philosopher, but is usually answered by the politician without hesitation. The armed conflict might have been prevented if Dalhousie were a genius or had a better appreciation of social factors.

A slower programme at first, compensated by faster railway investment later, might have made the opening of the railway age a peaceful one. The empiricist statesman often rushes where danger lurks, and goes slowly when it is really safe to travel fast. Whether the conflict could have been avoided or not, the Indian mutiny does suggest the issue which can arise in practice: a rapid economic change of a basic kind can lead to

social conflict; a statesman should foresee this and decide whether the speed of economic change is worth incurring the cost of conflict. But undue delay in economic reform is just as dangerous as great speed, and, at the turning points of economic history, the task of statesmanship is very much that of steering between Scylla and Charibdis. A Pitt would have done better than Dalhousie.

It is not clear when the first "city member" was formally included in the Council of the Secretary of State. This member was an expert on the condition of supply of savings in the London capital market. No doubt, he had connections with the leading financiers and could keep the Secretary informed on the general policy they wanted him to pursue. When the loans of the Secretary of State began to be floated by a City firm of underwriters, that firm became an important organ of expression for the views of the investors in India stock, and the Secretary could have hardly failed to take the advice of the firm on his policy of investment and on Indian affairs generally. But the main channel of investors' control, which ensured that the general policy did not depart from the principle of maximising the investment opportunity in India, was provided by the ordinary machinery of the political party, of which the Secretary of State was a member, and by the Parliamentary spokesmen of British lenders to India of all kinds.

Besides the question of the motives and the "media of expression" of the interests of the investors, another point remains to be cleared up. It concerns some qualifications to the doctrine that the leading principle of British policy in India during the period of large scale British investment in India naturally consisted of maximising the investment opportunity there i.e. consisted of such legislative, administrative and military efforts as were intended to increase the (capitalised) prospective incomes of the investors.

Considered by itself, the doctrine appears to be a cynical one and therefore incorrect. It could be objected to in that had

such a principle been made a basis of administration of a large country, it would defeat itself in the long run. A country cannot be administered like a cattle ranch, even if the cattle are fattened for the benefit of the farmer. The answer to the objection is two-fold. It is granted that administration based on a selfish group interest of British investors could not be permanant, and that it was only a question of time before others would be in a position to claim a greater share in the government. Analogous development took place in the democratic countries where the political influence of Labour increased relatively to that of the propertied classes. Secondly, the doctrine of maximum investment opportunity should not be considered "by itself" in any scientific account of the matter. It could never have succeeded in practice without some appeal being made to the idealistic or romantic side of human nature. The soldiers would not fight well, the civil servants and the subjects of an empire would not work too well if they all were told that their main function was to increase the incomes of other people. Imperial policy, therefore, had to be based on an element of real idealism, for otherwise it would not have succeeded. Even a critic of the policy would be foolish to deny this—for if he did he would overlook an important element of its strength. The criticism of the policy is that the element of idealism was insufficient, and in the nature of a means to the main purpose of furthering the interests of the British investor (and commercial, manufacturing and banking) classes.

The policy called for personal sacrifices on the part of many who carried it out—the soldier, the administrator, the medical officer working in the deadly jungle, and so on. It is here that the "romantics" came in useful, the "rentier" himself would seldom care to brave the hardship. He was temperamentally less suited to that kind of task. He was content to let others pull chestnuts out of the fire for him.

While some officials in India were paid too much, the more capable ones could have had good careers if they remained in

the home country. To some of these, work in India was a net disadvantage from the standpoint of selfish philosophy. That impartial economist, Alfred Marshall,—one is almost tempted to call him a Sage—suggested this when he said: "....We export to India every year a great number of prime young men.... We bring them back afterwards, if they come back at all, more or less shrivelled and worn out." (Official Papers).

The "benevolent bureaucrat" wants to be "the father of the people." In India he wanted to appease social conflicts and increase the real national income. Of course, senior administrators like John Strachey have had some "bargaining power" which they can use against even the "supreme" authority. No doubt, the progressive-minded administrators wrested some concessions from the "rentiers," but they were very minor concessions—such as "protective works," and a little more expenditure on roads, a little more expenditure on education and a little more expenditure on public health, than the "rentiers" would have sanctioned if a little "pressure" had not been applied by the progressive administrators. These concessions represented only slight departure from the principle of maximising the investors' opportunity, or even no departure at all—because they promoted the growth of the national income. One may put it by saying that the "rentier-mind" was erring on the side of caution and miserliness and that the "romantics" corrected these errors in a small way.

But the main body of reform was instrumental to the basic policy of investment, and that was the chief reason why there was no major conflict between the administrators and the investors. The investment opportunity for British capital in India was maximised directly by the State-fathering of railways and irrigation, and indirectly by such reforms as the improved administration of the Law and of the civil services, by measures intended to prevent rioting arising from rural "indebtedness" to money-lenders, by Labour reforms in Assam, by the tentative provision of health services and inspection, by the policy of

Famine relief, and even by such "romantic" reforms as the discouragement of child-marriages and the prohibition of infanticide and the burning of widows. Famine relief benefited investment in the short run by cushioning the tremendous climatic shocks to the whole economy of India, and by promoting the growth of the population in the long run. The growth of population tends to intensify the demand for capital. It is through effects on the population growth that the investment opportunity may be held to have been enhanced by the fall in the incidence of infanticide and the burning of widows.

It is in some ways a metaphysical question to ask who was ruling the roost of the government of India—the rentiers or the British manufacturing and trading interests, because there was a broad agreement on fundamentals among them all. One could answer the question only if there were cases of conflict between these groups, by observing which side won. There appear to have been very few such conflicts. One of them concerned the revenue tariffs in India. Lancashire manufacturers wished these to be abolished and succeeded in 1882. But the rentiers could not have liked this, because part of the interests on the railway debt was then subsidised from the tax revenues, the tax revenue, of course, increased the "liquidity" of the government of India, and the duties were re-imposed in 1894. On this occasion the rentiers asserted their authority. A more important instance was the currency policy. To facilitate, as they imagined, the payment of sterling-interest charges, the rentiers removed the rupee from silver standard (1894) and put it on the "exchange" standard (1898), and put an end to the depreciation of the rupee in terms of sterling, in face of protests of British exporters from India. Again the rentiers asserted their authority. But these were "family quarrels." On the whole, the investors were naturally fitted to control long-range policy better than their rivals. They invested on long-term and it paid them to take longer and more comprehensive views.

TRANSPORT CONDITIONS IN THE CITY OF MADRAS

By

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The evolution of the transport system in the city of Madras provides a fascinating study of a continuous process of ringing out the old and ringing in the new. The trams in one sense can be said to be the pioneer of public transport in Madras. Earlier than the tramways came the railways, but trains running to suburban places were very few and were running at lengthy intervals. The trams were very popular as soon as they were introduced, but the introduction of trams led to the decrease in stage-coaches and carts drawn by horses. "The reduction of coaches licensed was due to the increasing intervention and popularity of trams." ("Administration Report of the Corporation of Madras, 1904"). For a score of years the trams occupied a pre-eminent position in the transport system of Madras, until the omnibuses competed effectively. The introduction of buses in the City synchronized with the tramway strike in 1920. The keen competition between buses and trams is the characteristic feature of the post-war development of transport in Madras. The next stage of development is marked by the electrification of the South Indian Railway over a route mileage of 18 miles from Madras to its southern suburbs, in August 1931. This to a certain extent satisfied the long felt need for rapid transit to the suburbs from crowded parts of the city.

Much of the development of the electrical and petrol driven vehicles has been at the expense of other forms of transport. A very substantial proportion of the journeys made within the Madras traffic area involves the use of more than one particular transport facility. This being so, it is clear that a cheapening improvement or addition to any one facility more often than not

creates a demand for some other facility. In other words this cheapening process gives rise to a demand for additional services of some particular road services to and from the new routes; it may simultaneously lead to the withdrawal of a number of other road passenger services, passengers prefering to take advantage of the new facilities of transport. The trams and to a greater degree buses have substituted themselves in the place of stage-coaches, hackney-carriages etc. The stage coaches licensed registered a steep decline from 1750 in 1900 to 105 in 1935. The successive onslaughts of mechanised competition have reduced the number of hackney-carriages from 1500 in 1920 to 900 in 1935. On the other hand the number of rickshaws plying in the city has increased from 150 in 1920 to 3799 in 1935. The demand for rickshaw services has been stimulated since they more or less act as feeders to the bus and tram routes. Especially in a city like Madras, whose climate is described as "three months hot and nine months hotter" the propensity to use rickshaws instead of walking even for a short distance is great.

STRUCTURE OF THE MARKET.

On an average day two lakhs of passengers are carried in mass transportation carriers alone. The different groups of passengers may be broadly classified as under:—

i. Persons engaged in business or industry.
ii. Employees of Government, Railway, Postal, Bank and other offices,
iii. Students going to colleges, schools etc,
iv. Shoppers,
v. Pleasure seekers,

The demands of the above groups fluctuate according to regular daily, weekly and fortnightly cycles.

On an ordinary week day the inward movement from the suburbs to the centre usually begins with the business people

going to their shops. This demand is followed by students who go to schools and colleges. The influx of clerks from residential areas to their respective offices begins as early 8 A.M. and it reaches the maximum by 11 A.M. The maximum number of return tickets sold by the tramway company is between 8 A.M. and 11 A.M. These inward movements have their counterparts in the principal outward movements between 4 P.M. and 7 P.M. In addition there are demands which are spread over the morning and afternoon which are neither predominantly inward nor outward in direction. The principal group of passengers with such demands are the shoppers. Their collective demand is a very profitable one to trams and buses since it is not concentrated as to time, place or direction.

On Saturdays the principal outward movements occur in the midday instead of the evening, but the rest of the day there is busy traffic because of the demand of shoppers and pleasure seekers. On Sundays pleasure seekers contribute towards the bulk of tram and bus traffic.

A review of figures showing fortnightly receipts of the Madras tramways reveals striking facts about the nature of demand of tram services. The receipts of the first fortnight of every month are higher than the receipts of the latter half of the same month (December being the solitary exception), which shows that the bulk of the people, who use the tram and who mostly get their monthly salaries by the first fortnight have relatively little to spend later on trams, much less on other forms of transport. It may be contended however that the receipts are higher because most of the monthly season tickets are being bought in the first fortnight. But it is too much to rely upon season tickets to account for such a large discrepancy between the two fortnights. The fact is to be admitted that the demand for tram services is decidedly elastic, largely because of substitute means of locomotion, of which the most readily and cheaply available is walking.

The demand for transport services varies also season by season. The receipts of the tramway company during May, September and November are dull, which shows that the demand for their services is not great both in the hottest and wettest parts. of the year. The demands of the litigant and student population are very slight during May and June when Courts colleges and schools are closed for the vacation. The receipts of the latter fortnight of December and the first fortnight of January are exceptionally high owing to the large number of visitors during the Christmas season.

The fluctuations in demand for transport services create many problems the most important of which is the peak problem. To the vast army of clerks and businessmen moving from their homes in the suburbs to their offices or shops in the busiest parts of the city and back again in the afternoon or evening rapid and cheap transport is a great boon while any unnecessary delay or increased cost is a heavy burden. The mass transportation operates for 17 hours a day—from 5 A.M. to 10 P.M. But between 9 A.M. to 11 A.M. and 5 P.M. to 7-30 P.M. i.e., within 4½ hours they are required to carry 40% of their total number of passengers for the day. If adequate facilities during the peak hours are to be provided the transport services have to maintain a large number of cars far above those necessary to meet the average demands upon the system.

TRĀM VERSUS BUS..

The forte of tramways lies in their managing the peak problem. The service bus does not operate in that form of mass transportation which because of economy and necessity demands multiple unit operation or a number of units operating close headways during rush hours. The greater seating capacity and flexibility due to the number of standees which may be carried during rush hours make this agency the only feasible one for mass transportation. The Madras Tramway company operates on an average day 88 cars which are run at frequent intervals over a

route mileage of eighteen miles. More than sixty thousand tram tickets on an average are sold in a day. The average seating capacity of the tram is more than twice the capacity of the bus. There are 170 buses operating within city limits over a route mileage of 40 miles carrying 90,000 passengers a day.

The services of the tram and the bus when campared show that each has certain advantages over the other. The advantages of the tramways in Madras city may be briefly summarised as follows:—

Firstly, the tramways have a greater seating capacity for dealing rapidly with a very much larger volume of traffic. The average seating capacity of a car is 64 while that of the bus is only 23.

Secondly, the cost of running a tram car is considerably less per seat than the cost of running an omnibus.

Thirdly, since the tramways are running on fixed tracks there is a greater factor of saftey.

Fourthly, the carrying capacity of tram cars can be extended at the peak hours of traffic without danger in a way that cannot be done in the case of omnibuses without undue risk. The maximum that can be carried in a tram at any one time depends on the ability of the passengers to board the tram, while that of the bus is naturally limited. Passengers holding to strap hangers is a common feature in trams during rush hours.

The omnibuses on the other hand have their own advantages. Firstly, the omnibuses are capable of a greater speed without undue risk. The scheduled speed of an omnibus in the city is twenty miles while that of the tram is eight miles. The advantage of the bus over the tram is marked only when the bus traverses long distances towards the city boundary where there is less frequent setting down of passengers.

Secondly, outlying parts of the city which have not been developed or are in initial stages of development can be more cheaply served at this stage by omnibus than by tram car. The

areas of Mambalam and Nungambakkam and the residential areas towards the north of George Town for instance have been greatly developed with the introduction of buses.

Thirdly, omnibuses are not tied to fixed tracks and hence their routes can be changed according to the intensity of need of passengers in the particular locality which they serve.

Fourthly, it is easy to get up the bus which comes to the kerb side of the road. The difficulty of boarding a tram is great especially when passengers have to cross columns of vehicular traffic

Fifthly, the buses provide better and more comfortable seating accommodation than trams. The seating arrangements in the buses lately have considerably improved.

Many assert that the tramway owing to its lack of flexibility and confinement to fixed tracks is out of date. This movement of hooting the tram off its rails has also engaged considerable attention of the city public who have been consistently agitating against overcrowding in tram cars. The tramways in European cities have been getting more and more unpopular due to the introduction of trolley buses and other means of rapid transit such as the tubes and electric trains.

An examination of the growth of number of tram passengers during the past years shows that the trams are holding their own in spite of severe bus competition. On almost all the tram routes buses are running and competing for the same traffic. For the first two fare stages the tram and buses charge the same fares i.e., half an anna for the first fare stage and an anna for two fare stages. Where the fares are the same and the routes are running parallel, the public generally prefer the buses to trams. That in spite of such preference the traffic of the trams is still considerable shows that there are certain other factors working in favour of the trams. A major part of the increase in tram traffic is due to the limited seating capacity of buses. During rush hours there is not enough seating accommodation in buses.

If passengers continue to show a decided preference for the bus the trams in the long run will be left mainly with their peak hour traffic and less of the valley hour traffic much as they would desire to have both to compensate for their overhead costs which have necessarily to be increased to maintain a large equipment commensurate with their traffic during peak hours.

The tramways in Madras of late have to meet a lot of unfavourable criticism from the public. Passengers find it irksome to travel during rush hours when the tram is fully overcrowded. The Government has fixed the maximum seating capacity for each tram but unless the number of trams running or their frequency is increased, the public will not be largely benefited. The tramway company naturally hesitates to incur more capital expenditure on buying more trams which are likely to be used only during peak hours.

If adequate facilities during peak hours for passengers are to be provided the earning capacity of the trams during the valley hours should be maintained. Under present conditions of competition the trams are not likely to get the valley hour traffic. Competition between tramways and omnibuses is unequal because the tramways are compelled to operate good and bad routes while the omnibuses may select only the profitable lines. The tramways in addition bear the expense of making and maintaining the road to the width of the tramway. But this advantage of the bus over the tram has been minimised to a certain extent by the increase in taxation of buses in the city. The advantages in favour of either warrant the opinion that either type may supplant the other. The tramways still form an essential part of the transport services of the city. If the tramway company undertakes to provide comfortable seating accommodation during rush hours by running adequate number of cars and by increasing their frequency, the short distance traffic may be entirely left to them. This would greatly enhance their earning capacity. Where tram and bus routes are running absoluetely parallel, the minimum

fare of the bus may be fixed as one anna so that the trams could get all short distance traffic of half-anna passengers. The passengers also would not be inconvenienced since there is no large variance of time taken between the bus and tram in respect of short distances. This safeguarding of tramways is necessary only if the public are satisfied that the tramway company is providing adequate accommodation.

The trams and the buses have each their own role to fulfil in the transport system of the city. Under present conditions of competition, the trams and buses cannot fulfil their role efficiently and therefore efforts should be taken to co-ordinate them.

ELECTRIC RAILWAYS.

The Electric Railways which were introduced only so recently as 1931 have at once taken a very important part in the city transport system. The South Indian Railway approaches Madras through an area which has been developing as a residential one and was served by a single track of railway, which congested with the main line traffic gave an inadequate local train service. In order to meet the demands of the growing population, a scheme was launched by the South Indian Railway company electrifying a distance of 18 miles from Madras beach to Tambaram at a cost of nearly 173 lakhs of rupees including the consequential improvements to Egmore and other suburban stations.

The number of passengers carried shows a rapid increase from 33 lakhs in the year 1931-32 to over 82 lakhs in the year 1937-38. On an average week day 151 trains are run at the present time carrying more than 30,000 passengers. Trains during peak hours are run every six minutes.

The advantages of the electric railways over steam railways are obvious. Electrification gives greater acceleration and braking power. Trains can be reversed with greater ease and where traffic is heavy, operating costs are not so high as in steam rail-

ways. The electric railways running on closely guarded and fixed tracks are far more speedy than either the tram or the bus. The distance of eighteen miles beween Tambaram and Madras Beach is covered within 42 minutes.

Since the trains run on a fixed track free from interference and since trailer coaches to some extent could be added without increasing operating costs, the electric trains could tackle more easily their peak problem than other mass transportation carriers. The electric railways line passes through very active residential areas and is greatly useful for suburban passengers who have their offices in the city. Most of the colleges in the city are within a short distance from the route which the electric railways traverse and a considerable part of the demand for traffic comes from students. Competition between electric railways and buses is not so keen as that between buses and trams. While the entire tram route is traversed by buses the route traversed by the electric railways is different from that of the buses. The availability of season tickets and cheap return tickets has been a great factor in the growth of passengers using the railways in preference to the bus.

Rickshaws.

While the mass transportation carriers, the trams, the buses and the electric railway are responsible for the bulk of passenger traffic, the rickshaws and the hackney carriages and lately the taxi-cab play none the less an important role in city transport The rapid growth of rickshaws is an astonishing feature in the development of city transport in Madras. Hardly does one proceed 10 yards in the city of Madras before one meets a rickshawman. There are at present 4500 licensed rickshaws plying in the city.

The rickshaws get most of their custom in places which are not served by other mass transportation carriers or at time when the big concerns do not consider it profitable to operate. They

act as feeders to buses and trams and do also station traffic. The busiest streets of George Town on account of their narrowness do not permit the use of bus services. Times when other services are not in operation especially between 10 P.M. and 5 A.M. when the trams and the buses are at rest, rickshaws have a busy time around city theatres, liquor shops and railway stations where travellers arrive late in the night. The services of rickshaw are mostly used for short distances. The advantages of rickshaw over other forms of transport in Madras are many. The rickshaw can be had at any time of the day and can be brought to the very door where the passenger wants.

Rickshaw owners may be divided into three categories. Firstly those who let rickshaws for hire, secondly those who keep rickshaws for their own use, thirdly those who pull their own rickshaws. The latter two classes are very small in number. Doctors, lawyers and other men who do not possess a car buy rickshaws for their personal use. Owner pullers running their rickshaws for custom have usually more incentive to earn. The hire rate per day is four annas. The rickshaw man is to pay daily irrespective of his earnings. The annual net income per rickshaw for a rickshaw owner will be not less than Rs. 60. This income is considerable when we take into effect the capital invested on a rickshaw. A brand new rickshaw can be bought for 80 rupees, while second hand rickshaws are available for even 35 rupees. This explains the presence of large number of rickshaws in the city. But the task of collecting rent from rickshawmen is a difficult one and this probably explains why ownership of rickshaws is not concentrated in a few hands.

While the number of rickshaws and rickshawmen continues to increase, the earnings of the rickshawman continue to be low and show a strong tendency to decrease with the onslaught of competition from buses which are continually expanding in new routes. The average earning of a rickshawman is Rs. 12 per month. There is a great element of chance in a man's earning for the day and earnings vary from three annas to one rupee or one

rupee four annas a day. The poverty of the rickshawman is striking. Their standard of living is very low. Most of them are addicted to drinking. The problem of the rickshaw transport is essentially the problem of the poverty of the rickshawman. The raising of the standard of living of the rickshawman is quite necessary if rickshaw transport is to be continued in the city. The number of rickshaws plying in the city is already large and the number should be limited. Though with the introduction of buses the role which the rickshaw plays is diminishing the demand for their services will continue to exist since rickshaws are eminently suited for short distance traffic.

HACKNEY CARRIAGES.

The hackney carriages and bullock carts have had a chequered history; they had to meet the onslaughts first by trams and then by buses. The hackney carriages in addition have had to meet with great competition from rickshaws. Such formidable competition has gradually reduced the number of hackney carriages and at present there are only 850 vehicles plying for hire in the city. That in spite of such competition the hackney carriages continue to exist shows that there still remains a great deal of work that can be or can only be done most efficiently by horse transport.

The successive onslaughts of mechanised competition on the hackney carriage industry have not only diminished their custom but altered the very structure of the industry. Persons who owned more than one horse were the worst sufferers. They began to gradually abandon the trade, leaving only a majority of owner-drivers who were able to bear the strain better. Though the actual number of owner-drivers has not increased, the rapid diminution and disappearance of the bigger owners and the abandonment of many carriages and horses have raised the proportion of owner-drivers in relation to other classes of jutka drivers in recent years. The gross income of the owner-driver can be estimated to be Rs. 45 a month, out of which he has to

spend Rs. 17 on an average for the maintenance of the horse. The daily expenditure on the horse if it is to be well kept up comes to 10 annas, the chief items being grass and gram. The hire rate for a hackney carriage and horse is Rs. 1-8-0 per day. The drivers who hire the carriages have usually no standing of their own and they have to pay the hire out of the day's earnings.

The future of the hackney carriage in passenger transport in the city is bound to be more depressing since the "railway passenger traffic" for which their services are usually demanded has recently invited into the field the taxi-cabs. Journey in a jutka is very uncomfortable. The jutkas may well be replaced by the more rationally designed tongas plying in north Indian cities.

TAXI-CABS.

The Taxi-Cab trade in the city, consisting of 102 cabs—this number is very disappointing for a city—gets most of its custom from the rich. The demands for their services are especially for station and harbour traffic and other full day engagements on business or pleasure. The one car owner predominates just as in the rickshaw trade, though taxi-cabs as a whole are owned by affluent people. The monthly expenditure on taxis including taxes etc. comes to rupees 200, while their earnings at the present fares are about rupees 250 and more. The taxi-cabs are under an exceptional category of their own since they are subject to severe control. The services in the city compare quite favourably with any other city, thanks to the same control. The taxi owners have a legitimate complaint in as much as they meet with unfair and criminal competition from unauthorised taxis, but no amount of police vigilance can eradicate this evil, so long as huge difference in rates exists between authorised and unauthorised taxis. Hence the one sound way of wiping this standing menace is the reduction of the scheduled rates, if possible without detriment to total earnings.

CONCLUSION.

From the foregoing review of the different types of transport it is evident that there is no one form of transport which can be said to be superior for all purposes. Each type has advantages which make it the best in certain circumstances for certain kinds of traffic. There is a differentiation in function between the various forms. The employment of the various types according to circumstances is an interesting example of what Marshall has called the "Economic principle of substitution." That form of transport will be used which in the particular circumstances gives the service at the least cost or which provides the most efficient service according to the needs of the passenger or consignee. The fact that the various types of transport have each certain advantages and limitations for the carriage of particular types of traffic or for use in certain circumstances provides the economic basis of co-ordination.

The present system of transport in this city is a product of free enterprise and as Herbert Morrison says in his "Socialisation and Transport" if the philosophy of free competition is sound, then free competition should produce

i. Reliable and speedy services,
ii. Rock-bottom fares,
iii. Good wages and conditions for workers,
iv. Adequate capital expenditure on new development facilities and modernisation.
v. Safer and pleasanter rolling stock.

Prior to 1935, the ownership of buses was scattered, the one-bus owner predominating to a larger extent. There was enormous amount of congestion and liability to accidents, when road operators frantically sought to reach stopping places a few minutes earlier and scoop the traffic. The increasing pressure from the Police authorities and the desire to maximise the revenue per vehicle mile by operators encouraged the growth of

amalgamation among competing operators. The City Traffic Board set up by the Government in 1938 refrained from issuing permits to individual owners possessing less than five motor buses. The result was the formation by the bus owners into seven companies. The Road Traffic Board at present contemplates a merger of all bus concerns and is taking steps to achieve the same by moral persuasion.

Thanks to the severe control by the Traffic Board, the buses are running reliable and speedy services. Buses are run at frequent intervals; seating comforts have improved very much. The Traffic Board as at present constituted cannot exercise the same control over the trams. The heavy jazzing noise produced whenever the tram runs is a poignant feature of our city transport. The average number of cars running a day has not been increased for the past ten years while the number of passengers have gradually increased. Overcrowding in trams has become common during peak hours and the Madras Tramway Company can and should improve their services and run more frequent cars.

The fares in the city of Madras are cheaper than those prevailing either in Bombay or Calcutta. The fares in the tram and the bus vary greatly in Bombay as in the city of Berlin, the buses being meant for the rich and the trams for the poor and the lower middle-class population. The Bombay Tramway Company itself owns and runs the buses. Instead of letting their own services compete, the two services are so co-ordinated as to maximise their revenue by a policy of discrimination. One of the reasons why fares are cheap in Madras is the competition between the buses and the trams.

But competition in the long run is wasteful. If traffic were left to unrestricted competition, all seeking for profit, it would be obvious that the unprofitable routes would be shunned, as such routes could only be served by meeting the losses from the profits earned on better paying sections. Such transport on non-

paying routes has a very direct bearing on the housing problem, especially with regard to the housing of workers. Unrestricted competition is not economical and co-ordination is hampered as there is bound to be a considerable number of vehicles operating in excess of the requirements. Last but not least competition increases congestion and danger to the public.

The advantages of having the city passenger transport in the hands of one authority, briefly stated, are comprehensiveness, economy and public safety. A more rational distribution of relations between different kinds of transport based on their extension can be effected. A rational exploitation of all the existing services, by a more powerful mobilisation of the present resources will go a long way to provide adequate services throughout the city.

THE DEPRESSION AND DEVELOPMENTS IN ECONOMIC THEORY.

By

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There is some soul of goodness in things evil
Would men observingly distil it out.

—*Shakespeare.*

The Great Depression which set in towards the end of 1929 released over a wide area forces of destruction which cruelly crippled the lives of millions of people all over the world by throwing them out of employment or by reducing their incomes to an inordinate extent. The output of economic literature that followed on the causes and remedies of the depression was naturally prolific, but unfortunately often contradictory—with the result that economic science became, if not fully discredited, at least suspect. The public were frankly puzzled by the directly opposite views put forward by economists of the front rank, and economic theories came to be regarded as having no more validity than astrological predictions in which one statement was as good as another.

In truth, however, the position was not so damaging to economics or to the economist. The Depression has had the effect of not merely clarifying many issues which had been left in doubt and uncertainty, but also of taking economic analysis into spheres which had been so far neglected. While to the lay public it is but natural that differences should appear to preponderate, the economists know clearly that very often the so-called difference between one and another was a matter of approach, or of emphasis or of the ends in view. It is the object of this paper to show in what respects economic theory has rapidly advanced

in recent years thanks to the depression, how far economists themselves are in complete agreement with analysis and recommendations, and in what respects, and why, there is still a considerable difference of opinion among economists on certain questions both of theory and of application.

Study of Short-term Phenomena.

The most outstanding feature of the recent developments in monetary, fiscal and economic theory is the attention given to short-term phenomena in contrast to long-term trends. Classical economists were mostly concerned with long-term tendencies and minimised the role of short-period influences which, according to them, were merely ripples on a surface which was either rising or falling. The influence of the Great Depression has been to divert most economists to a study of short-term trends and their main preoccupation is now with economic influences of short-period range. Whether it be in dealing with the rate of interest, or with the quantity theory of money and level of prices or with the phenomenon of the trade cycle, the importance of comparatively short-period studies has come to be so universally recognised that most economists may now be termed as short-period economists.

This difference between the point of view of the earlier and modern economists represents also a more fundamental difference in assumptions. The earlier economists, while they may not have completely ignored dynamic factors, were content to postulate a static society in which even though there were changes those changes could be predicted. But society is dynamic and the forces that affect a community are constantly shifting and liable to great change. Hence according to this new view, not only should the economist increasingly turn his attention to economic dynamics, but since changes are not predictable over time, he should more and more concentrate on short-period studies if his results are to be of any value. Further, some economists even go so far as to deny that there is anything like a definite long-term trend. In their view the so-called long-term

trend is merely a succession of waves of short-term factors and influences and has no separate identity.

FULL EMPLOYMENT.

This fundamental change in the attitude of the economist to economic problems has given rise to a clearer understanding of some of the problems, which were either not fully discussed because they were regarded as of insufficient importance or were merely assumed away. Take the question of full employment which the older economists took for granted. Recurring periods of the trade cycle have completely falsified the assumption of full employment. The threat to employment caused by the trade cycle is becoming more and more a normal and almost permanent feature of our economic life; and this combined with the fact that technological changes also aggravate unemployment invests the whole problem of unemployment with peculiar importance. The economic edifice built upon the assumption of full employment has been found to be built upon shaky foundations and economists agree that if the goal of full employment is desirable, it should be striven for and not assumed away or taken for granted. The existence of idle capacity, idle resources and idle labour and the wastes arising therefrom have led to a large measure of agreement as to the goal of economic policy, which is the attainment of full employment. But the degree to which full employment can be reached and maintained and the methods by which the goal is to be attained are still matters of dispute. Some would pursue policies only within the framework of private capitalism; but since measures for reaching full employment involve such an invasion of the sphere of private capitalism, it may be doubted whether the goal can ever be attained under any but a frankly socialistic organisation. The control of saving and of investment and the large expansion and contraction of money that are involved in any such policy may not be practicable within the framework of private capitalism.

But, of late, a new element of doubt has crept in. Can ever full employment be conceived as a goal of economic policy? Is it even theoretically possible? Even in war, when conditions for

full employment are most favourable, millions are found to be unemployed; but of course full employment does not mean that every person has a job. It only means that there are no supplies of idle labour and idle capital of the kind that can be effectively drawn into use. Nor is full employment inconsistent with temporary unemployment caused by the shift of labour and capital from one industry to another. But even so, it is doubtful whether under modern conditions unemployment can ever be abolished. The reasons for such a doubt are many. In the first place, in the downward swing of the trade cycle the colossal expenditure required to restore full employment and the efforts at maintaining it can never be hoped for without entirely transforming the existing economic system. But even if the economic system became totalitarian, there is no ground for the hope that stability at full employment could be maintained; because full employment at constructional trades is incompatible with equilibrium and would bring about a distortion in the structure of production. The reason for this is to be found in the principle of "acceleration", whereby a small increase or decrease in the demand for goods in the consumer trades magnifies the effect in the construction trades, and when this magnification of demand is availed of the result is disequilibrium. Hence a great deduction from the theory of full employment has to be made, if, as is clear, it is not practicable in constructional trades. In the second place, the view that technological changes are only temporary phenomena and that the transfers of resources can be easily made can no longer be held with complacency. Technology does not settle down at all. The process of constructing the main instruments of production and transport is, as has been pointed out by Robertson, essentially discontinuous and proceeds by a succession of fits and starts. Under such conditions the attempt to abolish all residue of unemployment by pressing on rapidly with investment on the top of an already incipient boom would lead to problems of undigested plenty and readjustment. While possibly unemployment of a cyclical kind may perhaps be abated and perhaps even abolished, there is no likelihood of abolishing unemployment of a structural kind.

But whatever be the difficulties in the attainment of stability at full employment, the economics of unemployed resources of labour and capital is increasingly engaging the attention of all economists. This is all to the good, because policies which may be condemned under assumed full employment gain an altogether new significance and are seen in a different light when there is a lot of unused resources running to waste. To cite only one instance, the injection of additional supplies of money into the economic system when full employment prevails will only produce inflationary effects because resources will have to be drawn from their former uses at greater cost, whereas it will have a most desirable effect if the additional money is able to utilize effectively resources that have been lying idle.

II

Money Saving and Investment.

Economists owe a great deal to the Great Depression for their new knowledge of the problems of Money, Saving and Investment. The development of theory that has taken place in these spheres in recent years is little short of revolutionary. The defects of the old Quantity Theory of money were generally glossed over, and although Marshall and Cannan revealed a new approach to the theory of money by their stress on the influences that affected the demand for money, it was only quite recently that the theory of the value of money has been properly understood.

The Quantity Theory could by itself explain only long-term price levels. But what induces changes in price levels in short periods, why it is that the demand for money either increases or decreases (or the velocity of circulation falls or increases) and in what proportions money was held for different uses—e.g., business transactions, security and speculative purposes—were hardly explained at all. The belief that an increase in the quantity of money was sure to bring about a rise in the price-level persisted for quite a long time. Such a view was based upon the failure to recognise that an increase in the

quantity of money may only reduce velocity of circulation having no influence upon the price-level. The depression has now taught us that the significant factor affecting velocity of circulation is the change in incomes, and whatever causes fluctuations in total incomes would also affect the demand for money. Since these fluctuations are caused by changes in savings and investment, the shift from a pure monetary explanation to the more fundamental influences affecting saving and investment has become more pronounced.

The change that has come over in the world of economic thought in regard to the role of money as affecting the trade cycle is momentous. In the twenties the emphasis was upon central banking policy. A reduction in the bank rate combined with open market operations was regarded as sufficient to induce investment. When depression came it was believed that if only central banks created sufficient new money, the solution would be in sight. But as banks found themselves more and more with surplus funds, and as no marked effect was noticeable in respect of prices and employment, the feeling grew that mere monetary devices offered no solution at all. There were deeper causes affecting investment and saving, although their relation to money was intimate.

The fact is that in modern times while both saving and investment are made in money, there is no guarantee that saving in money will lead to a direct investment or saving in goods, and the discrepancy between the two is the cause of much of our economic troubles. When a person saves, he saves in money and has claims on the rest of the community. But if to it, there is no corresponding creation of wealth, it will only mean that the individual can get the benefit of his thrift only by penalising the rest of the community. Hence, unless the banks were willing to create new money corresponding to the savings, and found some one to employ the funds in the production of additional goods, the income of the community would shrink. This implies, on the one hand, the willingness of the banks to make new loans and investments on a sufficient scale to prevent prices

from falling and, on the other the willingness of the enterepreneurs to make use of these banking funds.

That the discrepancy between saving and investment is at the root of the trade cycle and of the changes in incomes and price-levels is a lesson which we owe mostly to the last two important depressions. A number of things which could not be explained by the older versions of the Quantity Theory of money can be explained in terms of the Saving-Investment theory. For example, while a shortage of money can always stop a boom, a plethora of money cannot start recovery; because if investment is not profitable, the willingness of the banks to lend or the continuance of cheap money will not lead to investment. The money thus created will only be hoarded up. This theory can also explain the factor that affects the velocity of circulation of money. The Quantity Theory could not explain what induced a change in the velocity of circulation. We now know that when people save they are putting more of their wealth into monetary form and when people engage in investment they are moving their wealth out of money into producers' goods. Consequently when savings exceed investment the community as a whole is increasing the proportion of its wealth it keeps in the form of money claims; hence velocity of circulation falls. The creation of more money would have by itself no effect on spending—a lesson that has been learnt by all nations during the last depression. But, as has been pointed out by Geoffrey Crowther, the public's propensity to save (which depends upon the size of the income) is liable to change only from generation to generation, and over a short period it may be taken as fixed. Hence the really governing factor affecting incomes and employment is the change in the volume of investment. Of all the influences affecting investment only one is purely monetary, and that is the rate of interest. The others such as Expectations, Scientific Inventions and Business Confidence, which are of far more importance, cannot be controlled by monetary means.

III.

DEFICIT FINANCING AND PUBLIC WORKS POLICY.

The recognition of the above has led to a revolution in fiscal policy and in the Government's attitude to direct investment. For quite a long time indeed the policy of easy money was pursued in the hope that by itself it would be adequate to meet the deficiencies of investment. Even the Macmillan Committee which reported on the eve of the Great Depression pinned its faith upon easy and plentiful money and recommended an increase in the supply of banking funds by central banking policy. Cheap money is undoubtedly one of the factors that govern investment, because a reduction in the cost is bound to make certain kinds of enterprise more profitable. But the limitation of the value of cheap money has been now widely recognised, although a few still cling to its potency. Even among these, differences exist both in regard to the manner in which cheap money may be expected to promote investment and also the extent to which it can really stimulate investment on any really important scale. Some economists, e.g., Hawtrey, hold the view that investment is stimulated through the effects of low short-term interest rates on the holding of stocks of goods and on working capital. But the more widely held view is that the influence on investment is through a fall in long-term interest rate, which of course is the normal accompaniment of a decline in short-term rate.

But whatever the mode in which cheap money operates, there is no guarantee that by itself it can generate expenditure, unless profitability is assumed. But in the midst of a slump a reduction in interest rates by one or even two per cent is not likely to induce any investment. When business losses are occurring, even a zero rate of interest will not be a help; but on account of technical factors it is impossible to have an interest rate lower than 2 per cent even in countries like Great Britain and U.S.A. The more significant way in which cheap money operates is by making it easier for the Governments to borrow more freely with a view to embarking upon public works. While a continuance

of cheap money policy is a necessary condition of recovery, it cannot by itself promote investment.

The widest cleavage of opinion persists in regard to the length of time up to which the policy of easy money should be pursued. Professors Robbins, Hayek and others believe that easy money continued beyond a certain point would only lead to bad investment and to an intensification of the boom. It will distort production and bring about the inevitable collapse. They would, therefore, allow interest rates to go up sufficiently early so as to nip the incipient boom in the bud. But Keynes definitely holds the contrary view. According to him the fears entertained by Hayek & Co. that voluntary savings would fall short of investment and that therefore inflation was bound to occur were wholly baseless. The increased savings would come from out of the increased national income as employment expands, and so long as full employment is not reached there is no question of reversing the policy of cheap money. He would even go further and recommend that even after full employment is reached, easy money policy should be continued. By taxing heavily all incomes and by controlling consumption, it should be possible to get the capital required for the continuance of investment.

These differences of opinion do not affect the main conclusion that unless the policy of cheap money be supplemented by more direct action, investment cannot be stimulated. Recognition of this fact has brought about a revolution in the fiscal policies of various countries. Unbalanced budgets, which were regarded not long ago as the vice of improvident governments, are now commended as acts of financial purity and virtue because it is now recognised that the public's propensity to save more than their willingness to invest makes it not only desirable, but imperative, to inject new purchasing power into circulation so as to counteract the deflationary effects. Consumption which has fallen should be increased, and one of the methods by which it could be prevented from falling is by unbalancing the budget and creating additional consumer incomes. Large outlay on relief works and other ex-

penditure were directly designed to increase the purchasing power of the consumers. Investment in producers' goods was expected to be induced through increased spending on consumer goods. The U.S.A. adopted the plan of deficit spending by the "priming of the pump" as they described it; but it was felt that the impression produced by it was wholly inadequate to meet the situation. There are those who think that mere increases in public expenditure and in consumer incomes brought about by State action will not be of much value; because, in the first place, if consumption demand stopped with Government's stopping of expenditure, contraction would follow, and, in the second place, this would produce only *acceleration* effects and not the *multiplier* effects, which are much more desirable. So long as consumption rose, the need for renewals and for more plant and equipment to satisfy consumer demand would continue. But as soon as consumption flattened itself out, there would be no need for investment in plant or equipment. Indeed often the existing capital equipment would be found to be more than adequate.

Hence it is urged that investment should be undertaken by Government. Here again two strands of thought are noticeable. One is the adoption of a compensatory budget policy by which Government's capital works programme should be so adjusted over a period that it might increase when private investment falls and decrease when private investment increases. This policy, advocated by several economists, notably by Sir W. Beveridge in the early years of this century, is now universally accepted as the right policy to mitigate business fluctuations. The other view held is that public works should be expanded with the object of compensating not merely the trade cycle but long-run structural changes in economy. The deficit finance involved in this plan should be continued so long as unemployment prevailed. Since 1936 emphasis in fiscal theory has been on public works policy with a view not so much to stimulating private investment temporarily depressed, but compensating for the lack of it. The feeling is growing that private capitalism is no longer capable of providing for full employment and that hence the State should control investment.

The above considerations are reinforced by the further view that most advanced industrial countries have reached such a stage of mature economy that investment tends to decline relatively to total income and that, therefore, the State should directly promote investment in all possible ways. The case for an expansion of public works rests on the ground that a revival to be effective must come first in the investment trades. By borrowing funds cheaply and spending them on public works, not only can new employment be created directly but secondary and tertiary effects on income and employment will be produced. The relation between the primary employment directly created and the total increase in employment which results is expressed as the "Multiplier".

The favourable effects of public spending depend on certain conditions. While the immediate effects are always favourable, there is no guarantee that they would continue for any length of time. It is well known that the failure of private investment to respond to Government's policy in some countries is due to the fact that business men are unable to alter their long-term expectations upon the basis of an increase in demand for consumption goods, which they are convinced would continue only so long as Government spending continued. Persistent pessimism of long-term expectations caused by fear and uncertainty cannot easily be overcome even by Government's public works policy. The lack of confidence among business people in the financial policy of the Government is another limiting factor. Further deficit financing is not a corrective for all kinds of depressions. It does not remove underlying causes and therefore its compensatory action is short-lived and it does not perpetuate itself. A short-lived stimulation may be purchased with much long-lived increase in public debt with adverse effects on the public psychology. When large unproductive debts are accumulated which are likely to lead to heavy taxation, the effects on businessmen's expectations and confidence will be distinctly unfavourable. But these limitations notwithstanding, the case for unbalancing the budgets during depression and embarking upon large schemes of capital outlay is irresistable, and the acceptance

of the above principle constitutes almost a revolution in fiscal theory during the last few years.

IV

Theory of Interest.

The Great Depression has had the effect of focussing attention on the various types of demand for money and of throwing light upon one aspect of the theory of interest to which inadequate attention had been given by classical economists. Here again the real cause of the difference in analysis arises from differences in time analysis. Over a long period the demand for loanable funds depends upon prospectiveness, productivity and expectations, and the rate of interst is ultimately governed, in an economy where the supply of money is elastic, upon these factors. But over a short period a change in a person's disposition towards the holding of inactive wealth on account of various causes, e.g., uncertainty about the future of interest rates, would exercise a direct and causal effect upon the rate of interest. An individual tends to hold his wealth "so distributed between different uses that at the margin there is equality between the satisfaction which he derives directly from the inactive part and that which he derives, through the mediation of a flow of income, from the active part". Thus the rate of interest is the price which equilibrates the desire to hold wealth in the form of cash with the available quantity of cash. The desire to hold money, that is the state of liquidity preference, is directly related to and is a function of the rate of interest. This was the important contribution of Keynes to the theory of interest. Keynes has drawn attention to the difference between the demand for cash on account of transactions and business motives, which is proportional to income, and that for cash on account of speculative motives, which is not a function of income but of interest. That the state of liquidity preference is an important determining influence, like the policy of the monetary authority, on the rate of interest is now universally accepted.

But differences arise in regard to its influence over a longer period of time. Unlike Keynes, many hold the view that the causal influence of liquidity preference on the rate of interest is not a persistent and independent thing, but actually recedes into the background yielding pride of place to the more fundamental forces of productivity and thrift. According to them the rate of interest which equates at the margin the convenience of hoarding cash and the available quantity of cash is itself dependent upon the rate of return obtainable from using resources in an active manner. Secondly, "what the schedule of liquidity preferences expresses is a desire not to hold so much money, but to hold, in the form of money, command over so many real things, and fluctuations in the rate of interest will produce in the long run such movements in the level of prices and of money incomes as to destroy themselves so that ultimately liquidity preference would determine not the rate of interest but the price-level."* In normal times the more important influence on the demand for money is the level of income and the influence of hoarding is not serious. But in a crisis hoarding becomes a significant factor, and if the quantity of money is not increased, there is bound to be a sharp rise in the rate of interest. The Depression has brought out the need and urgency of monetary action to satisfy the liquidity preference of the public by an increase in the supply of money; otherwise the rate of interest would go up.

An important development in economic theory during the last ten years is that arising from a study of dynamic forces operating on production. The concept of marginal efficiency of capital is one such, and the theory of expectations, enunciated by Keynes and others, constitutes a striking departure from the classical theory. Marginal efficiency depends on the state of confidence, on psychological and other uncertain factors and is by no means dependent on a low rate of interest. The theory of Expectations has only just now come into the text-book of economics, but is one of the most striking developments in the evolution of economic theories in recent years.

*Robertson, D. H. *Essays in Monetary Theory*, p. 151.

V

Gold and the Gold Standard.

The Depression has also revolutionised our idea of the functioning of the gold standard and of the role of gold. The last vestiges of the gold standard vanished from the world in 1936 and no country is likely to reestablish it. The gold standard has everywhere been replaced by a managed currency, and the dissociation of the volume of domestic currencies from the inflow and outflow of gold is complete. The old and simple tests of the gold movements have been replaced by other tests and standards, such as employment situation, price-levels, incomes, etc. The stabilisation of prices and employment, rather than the protection of gold reserves, has become the primary objective of central banking policy everywhere.

While the gold standard is practically dead or dying, the future of gold and its role in the monetary systems of the world cannot be predicted. Much would depend upon the post-war policy of the U.S.A., which has drawn to herself 75 per cent of the world's gold stock. To disgorge all that gold and bring it into monetary use would bring about something like a crisis. The world may not suffer much if all the gold were thrown into the Atlantic. But if that be regarded as too violent a course, gold will remain locked up in the vaults of central banks, serving practically no useful purpose. It is true that gold is the one commodity universally accepted by all countries without the imposition of tariffs and other restrictions. It may, therefore, conceivably remain as the commodity that can be used for the settlement of international balances. Even so, its power would clearly have been greatly reduced from its role as dictator, which it played for nearly 100 years.

The world has now given up its worship of gold and has learnt a lesson which it is unlikely to forget.

CONSUMER'S SURPLUS AND COMMODITY—TAXATION.

By

K. J. Mathew Tharakan, M.A.

Marshall held that his theory of consumer's surplus was not merely of theoretical, but also of practical importance. It may be noted that he made pointed reference to the bearing of his theory on problems concerning commodity-taxation. But the lack of clarity in his exposition and the consequent tendency among economists to confuse between 'consumer's surplus' and 'surplus satisfaction', a tendency from which Marshall himself was not always free, has tended to obscure the importance of his theory with reference to problems of taxation. In two previous articles[1] on consumer's surplus the writer of this paper has endeavoured to clear up this confusion. Marshall's consumer's surplus is only a monetary mechanism intended to serve as an index, though an imperfect index, of the 'surplus satisfaction' enjoyed by consumers. The term 'surplus satisfaction,' a term used by Marshall, lacks precision and so to make the idea definite it has been found necessary to make use of the term 'marginal surplus of utilities'.[2] The adoption of this term is in keeping with Marshall's view that the use of technical terms, while they add nothing to knowledge, enables us to put familiar knowledge 'in a firm compact shape ready to serve as the basis for further study'. The need for this new phrase is all the greater because it is only with an effort that we can constantly bear in mind Marshall's definition of his consumer's surplus and thus guard ourselves from the danger of mistaking it for a utility surplus. It would be obvious that the exact significance of these two different con-

1. *Indian Journal of Economics*, January 1939 and January 1941.

2. The difference between the total utility of a commodity and the marginal utility multiplied by the number of units consumed, is termed the Marginal Surplus of Utilities.

cepts, viz., 'consumer's surplus' and 'marginal surplus of utilities' will have to be carefully borne in mind if we are to examine along correct lines the bearing of these concepts on problems connected with commodity-taxation.

We might for instance study the implications of the doctrine of 'aggregate minimum sacrifice' adumbrated by Professor Pigou. It simply emphasises the need to reduce to a minimum the sacrifice imposed upon the citizens by a state while attempting to raise a specified volume of money or resources. There are many practical difficulties in realising this laudable ideal and probably the difficulties are greatest in the field of indirect taxation. One method of minimising the difficulties would be to accept the suggestion of certain economists to abolish commodity-taxation altogether. In fact, in all countries increasing stress is being placed on direct taxes and to a corresponding extent indirect taxes have declined in importance. Nevertheless, at the present day, in spite of its declining importance, commodity-taxation is yielding a substantial revenue to the exchequer in all countries, and in a country like India it is not possible to visualise any period in the near future when it would be possible to discard commodity-taxation altogether. Under these circumstances, the complacent attitude of considering indirect taxation as a necessary evil, which at best is to be checked by compensatory adjustments in the tax-system, is not justifiable: it is necessary to devise measures for constructing an organic and sound system of commodity-taxation.

The principle of minimum sacrifice applied to commodity-taxation may be interpreted in different ways. It would, however, be advisable to interpret it as follows. Taxation of commodities should be so devised that the marginal surplus of utilities sacrificed by consumers is the minimum possible. This statement requires some explanation. Compared to the price that a consumer pays, he enjoys a large surplus of utilities. The effect of a rise in price of a commodity due to taxation or any other cause is to cut down the volume of this surplus of utilities. Not merely is the marginal surplus of utilities reduced; very often the

volume of purchases may be reduced, and in some cases the purchases may be completely given up. Hence to estimate the consumer's loss of surplus utilities, it would be necessary to take all his purchases together. No one may seriously dispute the proposition that in raising a definite sum of money through commodity-taxation, the system devised should be such that it inflicts the least possible reduction in the surplus of utilities enjoyed by the consumers. But when we consider the extent and nature of the enforced reduction in the volume of the marginal surplus of utilities in different commodities resulting from enhanced prices the problem becomes complicated.

RELATIVITY OF CONSUMER'S SURPLUS.

In fact we find that the reduction in the volume of the (marginal) surplus of utilities of any one commodity is rarely an isolated incident. There is close interdependence between the consumer's surplus in one commodity and the consumer's surpluses in other commodities as also between the marginal surplus of utilities in one commodity and the marginal surplus of utilities in other commodities. The relativity of consumer's surplus in different commodities may be expressed by stating that when consumer's surplus increases in one commodity it tends to increase in other commodities, and that when it decreases in one commodity it tends to decrease in other commodities as well. This proposition may be illustrated by a symbolical example. Let us take the case of X getting an income of Rs. 60 of which Rs. 50 is spent on the purchase of commodities and Rs. 10 saved. Let us assume that he spends the Rs. 50 on three representative commodities, A, B, C as follows: —

	Rs.
Spent on A (necessaries) ..	20
Spent on B (conventional necessaries) ..	15
Spent on C (luxuries) ..	15

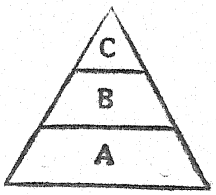


Diagram I

Assuming that X might not only sacrifice his savings, but also the use of B and C rather than forego the purchase of A, we might say that the consumer's surplus in A is equal to Rs. 60—Rs. 20, that is, it is Rs. 40. Similarly assuming that he might sacrifice his savings as well as the use of C, after the purchase of A, rather than forego the purchase of B, we might say that consumer's surplus in B is Rs. 60—Rs. 20 (A's price)—Rs. 15 i.e., it is Rs. 25. Similarly Consumer's surplus in commodity C is Rs. 10. Thus the consumer's surplus in A, B, C are respectively Rs. 40, Rs. 25, and Rs. 10.

If now, the price of A goes up by Rs. 5, calculating on the same lines, we find that consumer's surplus of A becomes Rs. 35, that of B becomes Rs. 20 and that of C becomes Rs. 5. In other words, the price-change of A not merely reduces the consumer's surplus in A by Rs. 5, but it also reduces the consumer's surplus in B and C, as well, by Rs. 5 each. The position is, however, different if the change of price (due to taxation or otherwise) affects only B or C. If the price of B increases, in general, it does not affect the consumer's surplus in A; but the consumer's surplus in B and the consumer's surplus in C are reduced. If the change in price concerns only C, while the consumer's surplus in C is reduced there is no corresponding reduction in the consumer's surplus in either A or B. Conversely, for any reduction in the price of A, or B, or C (caused by a tax-reduction or any other cause), a corresponding relationship in the increase in consumer's surplus in the different commodities, A, B & C can be traced. Further it has to be noted that a similar relationship exists between the variations in the marginal surplus of utilities of the different commodities when price rises or falls. In this illustration we have differentiated between the

various commodities on the basis of their preference for the consumer, assuming A to be most important to him, B next in importance, and C next in importance to B. The problems of commodity-taxation are, however, much more complicated than might be inferred from this illustration.

INCIDENCE ON COMMODITIES.

We thus find that taxation of one commodity sometimes affects a large number of commodities, sometimes only a few commodities, and sometimes—though rarely—none at all. Consideration of this problem may be faciliated by conceiving of it as the shifting of incidence of taxation from one commodity to other commodities. Orthodox economists might raise the objection that incidence can only refer to persons and not to commodities. That is true with the traditional analysis of the incidence of the burden of taxation. While the traditional analysis has its own advantages, there can be little doubt that only a different analysis from altogether a different angle, can throw more light on the different aspects of the problems of commodity-taxation. Analagous to the shifting of the incidence from one person to another, we may speak of the shifting of incidence from one commodity to other commodities. Thus if a tax of 50 per cent is put on rice, and still the consumer buys the same quantity as before, we may say that the incidence is not on rice. The incidence has been *completely* shifted to other commodities which the consumer is obliged to buy in lesser quantities or not at all, because he has to pay more for rice. In other words the sacrifice falls not on rice but on other commodities. If on the other hand a tax of 50 per cent is put on silk, and it results only in the reduction of the volume of consumption of silk without in any way affecting other commodities, we may say that the incidence is wholly on silk and that there has been no shifting of incidence. It is, however, difficult to find a commodity for which there is either a complete shifting of incidence or absolutely no shifting—rice and silk not excluded. Just as there are certain laws governing the shifting of incidence from person to person accord-

ing to the traditional analysis, so also it is possible to lay down certain general rules governing the shifting of the incidence from commodity to commodity. But the shifting of incidence from commodity to commodity is a much more complicated process and a detailed examination of the process is not possible within the limits of this article. A few general conclusions may, however, be ventured.

1. There is shifting of incidence for almost all commodities. This shifting is greatest for necessaries and much less for other commodities. In general, there is partial reduction in the quantity purchased of the commodity taxed, and there is also partial reduction in the volume of other commodities purchased. The share of the burden falling on the taxed commodity would vary inversely according to the urgency of demand for it and its importance to the consumer, being less when it is more important, and more when it is less important. The number of other commodities affected by a tax on any one commodity would depend on the rank which the taxed commodity occupies in the preference-schedule of the consumer. Thus, if we assume that a person buys only seven articles, say, rice, clothes, etc., we can arrange them in the order of their importance to the consumer as follows: —

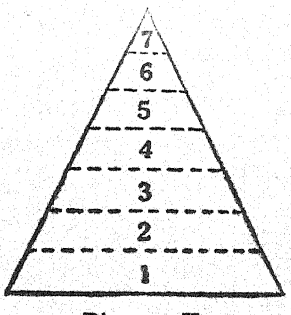


Diagram II

1. Rice.
2. Minimum clothing.
3. House-room.
4. Coffee.
5. Fruits & Vegetables.
6. Ornaments.
7. Entertainments.

A tax on the first article, viz., rice may affect only all the other six articles by forcing the consumer to distribute the burden over the six articles in such ways that the reduction in the

marginal surplus of utilities of all commodities taken together is the least possible. The result of this spreading out of the burden *may* be a partial reduction in the purchases of all the commodities. But a tax on the second article, clothes, may affect only the articles placed above, but not below. Similarly a tax on article 3 may not affect 1 & 2 while affecting the rest and so on. Thus if we arrange the articles purchased by a consumer in their order of importance as indicated above, we may say that generally a tax on any one article affects all the articles placed above that particular commodity, but not those below in the preference schedule of the consumer.

2. From the standpoint of this analysis the objection against a tax on a necessary of life is that it affects the consumption of a very large number of commodities and imposes a disproportionately high reduction in the total marginal surplus of utilities enjoyed by the consumer. Incidentally it may be pointed out that an estimation of merely the reduction in the consumer's surplus will not give a correct idea of the loss sustained by the consumer on account of the taxation of a commodity. The concept of the marginal surplus of utilities outlined by the writer in a previous article thus becomes helpful.[3] Only an estimate of the total reduction of the marginal surplus of utilities in various commodities caused by taxation of any one commodity can give a correct idea of the real loss suffered by the consumer. And as has been already pointed out, the tax-system should aim at reducing this real loss to the minimum.

3. The wisdom of considering the merits or demerits of a proposed tax in isolation, that is, without reference to its possible effects on the consumption of several other commodities is open to question. It follows that the effects of raising or lowering or abolishing a particular tax have to be studied more carefully than is commonly done with reference to possible changes in the consumption of other commodities. To secure equity in taxation, it is not enough if the substitutes of a commodity are group-

3. *Indian Journal of Economics*, January 1939.

ed together for purposes of taxation. What is required is the grouping together of commodities belonging to the same horizontal cross-section. If we take three different persons A, B, & C and construct their preference-schedules for the commodities purchased by them in the order of their importance to them beginning with the most important, we will find that though the same commodities occupy the first few ranks for all the persons, when we come to the higher levels, entirely different commodities occupy the same rank in the three schedules.

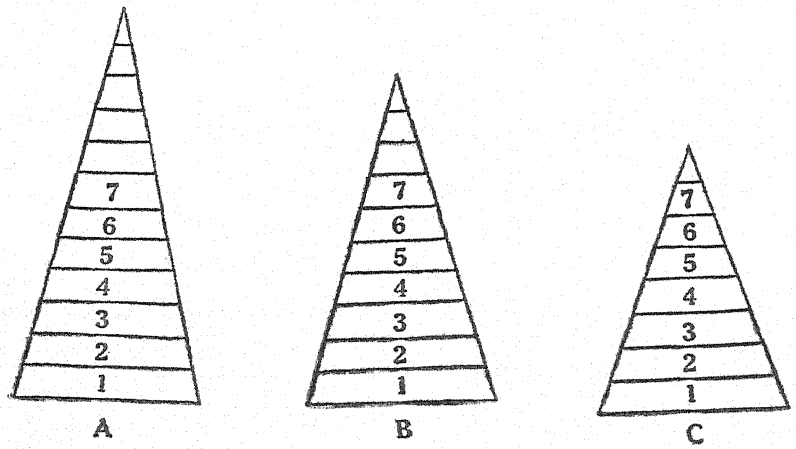


Diagram III

1. Rice.	1. Rice.	1. Rice.
2. Minimum clothing.	2. Minimum clothing.	2. Minimum clothing.
3. House-room.	3. House-room.	3. House-room.
4. Coffee.	4. Coffee.	4. Fruits & Vegetables.
5. Fruits & Vegetables.	5. Entertainments.	5. Coffee.

Thus 1, 2, & 3 may be constituted by the same commodities for A, B, & C. What is suggested is that when it is proposed to tax a commodity which occupies a particular rank, equity requires that all other commodities, whether substitutes or not, occupying the same rank in the other schedules should also be taxed.

4. In a country like India where the wants of the average man are fewer than in western countries the significance of a tax on a commodity is much greater. Any inequity in the indirect tax-system is therefore likely to inflict more injury. But then we have a corresponding advantage. With fewer commodities to deal with, it must be easier to get over the practical difficulties—and they are many—which stand in the way of devising an organic and sound system of commodity-taxation.

5. A good deal of statistics will have to be collected if we are to construct with any approach to accuracy the preference-schedules of consumers with reference to the various commodities they purchase. When so much time and money is being devoted to economic enquiries of all types, it cannot be considered a waste of time or money to collect the necessary data to devise a proper tax system. Marshall's contention (in another context) that it would be enough to study the effects of these price-variations confined to certain limits bordering on the prevailing prices suggests the lines on which the enquiry may be pursued. It may not be necessary to know the reaction of consumers with reference to their purchases of different commodities for all the price-changes which are theoretically possible. Nevertheless, the mere collection of statistics referring to the effects of price-changes that are occurring may not be sufficient for the purpose. If necessary, attempts should be made to isolate individuals or groups of individuals or villages and artificially raise and lower the prices of different commodities with a view to studying the effects of such changes on the volume of consumers' purchases of different commodities.

TRANSPORT CO-ORDINATION

By

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The need for a co-ordinated means of transport can hardly be over-emphasised in an integrated economic fabric. In this highly mechanised age, wherein the time element has asssumed an undreamt of magnitude, a disorganised transport system will be an anachronism.

A co-ordinated transport system should include all means of transport, each having a specific and pre-determined sphere of influence. The aim of this co-ordination is to allow each free play within its jurisdiction in such a way as to effect a maximization of traffic with the minimum of service. In an individualistic and competitive system, the tendency will be for each to seek to maximize its receipts through encroachments upon the jurisdiction of its competitors; but this competition leads to the drastic cutting of rates and therefore generally results not in profit but in loss. Nevertheless, under certain circumstances, a few undertakings can, despite this disadvantage, beat off competitors and, by gaining a monopoly, make good the initial losses.

The spectacle of unhealthy competition is common to different undertakings of the same nature; and the unedifying spectacle of road-rail and inter-road competition, is a signal example of rivalry in the transport industry. The invention of the road-motor has created a serious problem for the railways, tramways and the hackneys which were once unchallenged in their own fields. In the road-haulage industry the motor vehicle has over other means of transport the advantage of being quick, cheap, flexible and easily operated. By its use troublesome hauls to and from the railhead, packing and other charges can be avoid-

ed; and the loss through damage in transit or pilferage can also be greatly minimised. Even in the field of passenger transport, the motor vehicle has been gaining increasing importance; and this is specially seen in short distance traffic in which low rates as well as the ease with which passengers can be picked up and set down, are important factors. This has led to such acute competition between the railways and the road motor that the former are said so far to have lost three to four crores of rupees.

The Mitchell-Kirkness Committee, which went into the question of road-rail competition, found cause for grave anxiety to the railways though no exact statistical data of losses were made available. However, in certain cases, the Committee found the road motor helped actually to function as feeders to the railway and thereby swell its revenues. It is possible for road and rail to be complementary to each other.

The generally recognised ambit of road-rail competition is 50 miles, in which the road-motor is most effective. There are many instances, as in the Punjab, in which the range of operation has extended to 600 miles; but these are exceptional. Because of its competitive ability, the road-motor has been able not only to inflict serious loss of revenue on railways, but to force them to keep step with road operators and to meet their rates. The motor has continued to affect seriously the passenger traffic of the railways, despite the latter's efforts to meet competition.

It cannot be denied, for the reasons already indicated, that within fifty miles, the motor should be given precedence over the railway; and any attempts at the co-ordination of road and rail transport should necessarily take this fact into account. It would be not only unwise to try to crush out road transport but detrimental to our economic well-being. Any such effort would imply a bolstering up of the railways against the motor, even though railways do not possess the same ability to meet the needs of short distance traffic as motor vehicles. Instead of badly cutting down rates to face competition, the railways would do well to devise ways and means by which they could provide for traffic needs according to their own inherent ability.

The need for the co-ordination of road and rail services has been specially felt in urban transport. The flow of traffic in great cities is not even, and definite periods of heavy and slack traffic are generally distinguishable. The peak-hour traffic in metropolitan cities is so great that no single agent of traffic could effectively meet it. Though electrification of suburban railways has to a large extent improved the situation, it cannot be gainsaid that the motor omnibus hold a key position in the urban services, being cheap to run and capable of working on all routes. It is a cardinal feature of railway economics that they are subject to the law of increasing costs; and, as such, they cannot provide easily as frequent a service as is necessitated by the strength of demand.

Whether it be urban or suburban traffic, the same principles apply, sometimes in varying measure. In an individualistic system, the motor vehicles would work the most paying routes, and work them just during those hours when traffic offering is heaviest. This would seriously affect the position of railways, if they were in competition, and rate reductions would be necessitated much to the advantage of the road pirates whose capital investment is very small. There would, however, be not only competition as between the road and the rail but also inter-road competition manifesting itself in a plurality of services run on an uneconomic basis.

The average distance travelled by a third-class railway passenger is about 35 miles; and unfortunately this is just the zone within which the road vehicles are at an advantage. A misdirected road policy has resulted in the alignment of roads exactly parallel to the railways, and on this account competition is rendered all the more acute. For the distance between Coimbatore and Mettupalayam, which are 23 miles apart, the fare charged by road is only 4 annas, or 2·1 pies per mile; and similarly between Coimbatore and Palghat for a distance of 30·4 miles, the rate basis is only 2·2 pies per mile. On both these routes, the South Indian Railway has had to lower its rates to 5 and 7 annas respectively to meet the motor-bus competition.

Some very good examples of road-rail competition are to be found in the Bombay Presidency especially in and around Kolhapur, Belgaum, Satara, Dharwar, etc. The area served here is rich and mainly agricultural, Nipani, for example, being an important tobacco growing area and the whole of the Deccan, a great cotton producing tract. The M. and S. M. Railway serves these places, but owing to serious competition from motor bus transport in these districts, the railway has been set a very difficult task. The rates of the bus services are usually the result of the strength of supply and demand; and consequently, though there is no fixity in the rates as between the bus services themselves, even their highest rates, seen in the fares between Kolhapur and Poona which vary from Rs. 1-8-0 to Rs. 2-8-0, bear no comparison with the rail-fare. Little wonder then that much of the legitimate traffic that should belong to the railway is being deflected to the road. Even in the case of luggage, the motor services in this region charge a flat rate of 12 annas which makes it actually much cheaper to travel by motor with excess luggage for which the railway would levy comparatively prohibitive rates. Another example pertains to Kolhapur and Sangli which are terminal stations on the M. and S. M. Metre Guage lines, both served by the junction at Miraj. Here the rate basis for buses to Belgaum either from Kolhapur or Sangli is 1·55 and 2 pies per mile respectively. On the other hand, between Miraj and Kolhapur, a distance of 29 miles, the fare is 6¼ annas or 2·5 pies per mile.

Leaving aside sections served by both road and rail, it may be said that the rates charged for towns in the interior which are accessible only by motor are more economic. The Coimbatore District, a survey of the transport system of which was undertaken by Economics Department, Annamalai University, and where traffic needs are met mostly by bus services, affords instances to prove this. Dharapuram is dependent entirely on bus transport, being 21 miles from the nearest railway station, Palni. The fare from Dharapuram to Tiruppur is 12 annas for 30 miles, i.e., 4·8 pies per mile. Here one noteworthy

feature is that the rate of increase in fare is more marked towards Dharapuram than towards Tiruppur which is a rail head. Thus Kovil-Vazhi, 25·5 miles from Dharapuram bears a rate of 10 annas whereas Nattam—Valashu midway between the two is charged 7 annas. Another feature of interior rates is that point to point traffic is rightly facilitated by low rates, and higher rates are charged for floating or intermediate traffic. Peelamedu, 3 miles from Coimbatore, has to bear a rate of 2 annas or 8 pies per mile. The same fare of 12 annas for 35 miles from Coimbatore to Gobichettipalayam is charged for intermediate stations as far as Tekkalur which is 19 miles from Coimbatore. This fare works out at 4 pies per mile. All rates to Gobi taper beyond Avanashi, which is midway between these two places.

It can be seen easily that the railways cannot compete on a footing of equality with the road services. The principles underlying railway rate-making have no application to cost of operation. Rate-making in railway transport is a tentative process; there can be no finality about it. It is an art and not a science and, as Bagehot says, it must be attempted "in a sort of twilight, in an atmosphere of probabilities and doubts where nothing is clear, where there are some chances for many events, where there is much to be said for several courses, where, nevertheless, one course must be determinedly chosen and fixedly adhered to." It is impossible to allocate costs as they are mostly joint; the only costs incurred are in handling particular traffic. Here the causal relation between costs and prices or charges is vitiated, since rates have to be declared even before traffic offers itself and in the absence of a clear knowledge of the forthcoming expenditure, rate determination becomes conjectural. A number of factors have to be considered before a rate could be declared, such as the nature of the commodity offering for traffic, the time at which such traffic offers, the distance over which it is to be transhipped, the volume of traffic offering, the possibilities of developing such traffic through concessionary rates, the regularity of the traffic offering, and above all the existence of other means of transport. Thus, as Acworth says, "with the exception that a portion of the expenditure on stations and buildings can be allocated to pas-

sengers and goods respectively, the whole of the expenditure on maintenance of way is incurred not for any of the separate components of that class but for the traffic of the line as a whole."

Great as are these difficulties, the railways have got to meet road-motor competition by counter measures if they are to maintain their financial stability. The South Indian Railway was compelled to declare the following rates when competition was rife:—

	Rate	Distance
Trichinopoly-Dindigul ..	0 10 6	58 miles
Dindigul-Madura ..	0 7 0	38 ,,
Punalur-Trivandrum ..	0 12 6	68 ,,
Madura-Bodinayakanur ..	0 14 0	56 ,,
Tiruppattur-Krishnagiri ..	0 5 6	26 ,,
Tiruvannamalai-Vellore ..	0 10 0	52 ,,
Dindigul-Palni ..	0 6 0	37 ,,
Tanjore-Kumbakonam ..	0 4 3	24 ,,
Trichy-Karur ..	0 8 0	45 ,,
Coimbatore-Palghat ..	0 7 0	34 ,,

The railways are our national asset and represent a net capital outlay of Rs. 760 crores (1939 figures, excluding Burma railways), the interest charges alone amounting to Rs. 28·96 crores. They are an asset because they contribute towards the general revenues, a contribution equal to one per cent of the capital at charge plus one-fifth of any surplus left over after meeting fixed charges. More than anything else, the railways are the only best fitted means of long distance transportation in such a huge country as India, a vast sub-continent in which huge areas specialise in the production of particular crops, but where the industrial centres as well as coal and mineral mines lie scattered widely. To take the raw materials to the industrial sites, to ship the agricultural produce to the marketing centres and to transport both manufactured goods and raw materials to the port towns, we have to depend entirely upon our railways. They constitute the central factor of our economy. As such every effort should be made to strengthen their position and to maintain their financial solvency. They should not be left to the mercy of uncontrolled road services. A general rate reduction to meet road competition or to attract

custom would by itself be pernicious in its effects, and the Wedgwood Committee rightly condemned the suggestion of a general rate reduction and was content to make the recommendation that where particular circumstances justified it, rate reductions could be made. In buttressing up the railways, however, the road industry should not be sacrificed. As committee after committee on railways has remarked, the railways should first set their house in order before they can expect the motor industry to be controlled and brought in line with modern conditions. Railway reform has to proceed not only through economy measures and increasing utilisation of plant and rolling stock but also through the provision of all possible facilities by which the needs of the travelling and transporting public can be satisfactorily met, such, for instance, being frequent services, registered transit service, publication of goods-train time-tables, more liberal quotation of station-to-station rates, reduction in the R.R. rates, simplification of railway formalities, refrigerator services, etc. Successful transport needs effective salesmanship; and to ensure this, the railways must change their attitude in deference to the public and devise ways and means of enlisting their co-operation.

Nevertheless, the importance of the roadways in our economy is as great as that of the railways. Ours is largely a rural and agricultural economy and the greater number of our villages have to depend upon the bullock cart and animal transport for linking them up with the nearest market towns. It is, however, incongruous, as the Road Development Committee remarked, "that there should be nearly 40,000 miles of railway in India when the total mileage of surfaced road in British India is only 50,000 miles." In 1935, however, the figures improved and India had 82,284 miles of metalled and 224,433 miles of unmetalled road, of which the lengths of road maintained by the P.W.D. were 30,679 metalled and 17,450 unmetalled. Generally speaking, the Madras Presidency is well supplied with roads. In 1936 the average area served by every mile of road, all types taken together was 4·41 sq. miles; for motorable roads it was 6·16 sq. miles, and, for metalled roads, 7·21 sq. miles. This shows how important the road system is for our trade and transport. As the Royal

Commission on Agriculture in India tritely remarked, "the road system links up the cultivators' holding with the local markets and the nearest railway station, while the railway provides the connection link between the area of production and consumers at a distance, and between the manufacturers in the town and the cultivator who purchases his ploughs, his fertilisers or his cloth. Without good roads no railway can collect for transport enough produce to render its operations possible, while the best of roads cannot place the producers of crops in touch with the consumer."

This brings us to the crux of the problem. How is this desired balance in transport to be achieved: Along what lines has reform to proceed? The answer is easy, but it is in its practical application that the greatest difficulty is felt.

In a well planned system of transport, the combining units should be of about equal strength; otherwise Gresham's law would set to work and the unco-ordinated unit would drive out the controlled unit. The railways have been in existence for nearly a century and they cover a total length of 41,133,73 miles involving a total working expense of more than Rs. 50 crores (the net total for state-owned lines in 1938-39 was 50·99 crores). They represent a high degree of administrative control and organisation. The same cannot be said of the motor transport industry. It is but in recent years that attention has been focussed upon this problem and legislative measures have been adopted to control it. In many provinces uncontrolled and uneconomic competition still continues. It is only in the Madras Province that the maximum of control is being exercised. Stringent rules have been framed and control has been effected through both taxation and licensing. In fact, of all provinces, motor taxation seems to be the heaviest in Madras. Till 1938, when the Motor Vehicles Regulation Act was passed, local boards could impose their own taxes in addition to the provincial tax, the quarterly tax on a 23 seater bus being, for instance, Rs. 972-8-0. The Mitchell-Kirkness Report estimated the tax burden at 16 per cent of the operating expenses of a 20 seater bus. The Act of 1938 has done away with this duality in taxation and the maximum

annual tax on a bus of the same seating capacity works out now at Rs. 1600. However the rate per seat charged varies with the district; in Coimbatore the basis is Rs. 17 per seat exclusive of the seats of the driver and conductor. Added to this, the Madras Motor Spirit Tax of 1½ annas imposed since 1938 on on every gallon of petrol retailed has had the effect of making motor taxation still higher. Some idea of the extent of taxation can be gained from the following figures: —

Taxes paid by a private motor car of the value of Rs. 3,600

		Per Annum Rs.	A.
1.	Customs duty of Rs. 850 spread over five years ..	170	0
2.	Registration fee at the time of purchase of Rs. 16 ..	3	3
3.	Tax on petrol, 750 gallons per annum, central duty at 10 annas per gallon ..	468	12
4.	Provincial Government Tax under Motor Vehicles Taxation ..	100	0
5.	Tax on oil, 20 gallons per annum at 2½ annas per gallon ..	3	2
6.	Tax on spare parts at, say, an expenditure of Rs. 150 per annum 25 to 37½% duty thereon ..	45	0
7.	Additional tax of 1½ annas per gallon on 750 gallons under Madras Motor Spirit Taxation ..	70	5
	Total ..	860	6

Thus it would be seen that in 5 years' time the amount of tax paid would have far exceeded the original cost of the car.

Taxation, however, exercises control, weeds out the financially weak, and thereby makes for stability. The issue of 'B' permits and licensing of routes also make it possible for services to be evenly distributed. In the grant of licenses certain broad principles have to be kept in view: they are (1) Public need, (2) Priority of service, and (3) Safety. As long as the public need better and more adequate services, the licensing of more concerns is justifiable. Anyone who desires to operate a route must show that the traffic needs he wishes to meet are new. Similarly when it is found that there is scope for an expansion in service, the older operators should get precedence over the new entrants,

length of service normally being the criterion of priority, though in the competitive struggle a better organised unit is often worsted by unscrupulous rivals. In calculating priority, vehicle journeys may also be taken as a safe guide since they would indicate the number of trips run including also those in non-peak hours. Lastly, the need for safety can hardly be over-emphasised. The public have got to be safeguarded against all the dangers of rash and negligent driving; and this problem is mainly within the purview of the police, the custodians of law and order.

In the co-ordination of road-rail transport, it may be desirable to gain a monopoly of road services, as monopolisation brings about a unification in control. To that extent, co-ordination between the road and rail would also be facilitated, as it is comparatively easy for two unified and well organised systems to come to an agreement. Moreover, where the contracting parties are unequal in size, the smaller concerns would in course of time get merged into the larger one. This would imply that the railways would get themselves ultimately entrenched in their position and might manifest all the evils of a monopoly. But if a road monopoly should be in the hands of a public concern it could become effective and serviceable not only in overcoming competition but in catering to public need.

Wherever conditions are most propitious, all the smaller road services may be bought up by a public trust and their control vested in a public corporation. The unified system could then be run on broad principles of public utility with the ultimate end of offering to the public an efficient and adequate service. One system by which the goodwill and co-operation of the individual concerns bought up can be secured is to give them shares in lieu of monetary compensation, as this would also give them a share in the management of the corporation.

By virtue of the huge capital at its disposal, a public monopoly would naturally be better able to undertake schemes of expansion and reform intended to meet the demands of the public. It would also be able to estimate best the needs of the public through traffic analyses and surveys, which smaller concerns

cannot possibly undertake. Policemen on duty could help to take a census of the traffic carried and this would serve as a guide to the density of the traffic. The period over which the survey spreads has to be fairly long and the survey should be sufficiently representative to ensure normal figures; and the area chosen should also be wide. To do all this, a public monopoly would be most suited as it could always command the confidence of the public. In spite of these advantages, that drive for efficiency and the zeal for experimentation so characteristic of a competitive system, would be lacking under a monopoly.

In the co-ordination of road and rail services, the end in view should always be to give to each mode of transport its due sphere of influence. Within short distances where the need for a quick service is great and where the traffic is too poor for the provision of rail services, the road motor should be allowed free play, subject to general control on the lines I have indicated. It has been pointed out how the actual running expenses of a railway train form a negligible part of total working expenses. The present scheme of scrapping branch lines is a positive proof of the uneconomic nature of laying lines at huge capital expenditure in areas where the traffic offering is too low to justify it. As Sir Acworth remarks in his *Elements of Railway Economics*, "if it is necessary for a light railway to be built independently, it ought to be permitted to charge rates and fares very much in excess of those which would be reasonable on main lines." If the traffic is light, the rates to that extent must be high, but if rates are high the road operators would sweep the traffic into their net. The railways would then be in a dilemma, neither able to lower their rates for fear of loss nor willing to levy a high rate, as competition would kill their traffic. For this reason, it would seem that the closure of some of the branch lines by the government is justifiable, even though the waste of huge capital expenditure entailed in their initial construction must be greatly regretted.

Co-ordination is largely possible only along the feeder routes, for here the railway and the road motor would be complementary to each other. But as an unplanned road policy has resulted in

the alignment of main roads almost parallel to the railways and as road services operate on these roads, it is well nigh impossible to check competition. In such circumstances it looks as though it would be necessary for the railways to either crush the competing services out of existence by all possible means or to buy them up. But railway monopolies of transport are not desirable. Within limits and under conditions of control, a degree of competition is preferable to monopoly. The onus of evolving a unified system in which both road vehicles and railways would work as complementary parts would devolve upon the Transport Boards that have now come into existence. It should be their mission to regulate services so as to provide for larger services in the rural areas which now depend entirely upon antiquated means of transport, and to divert the motor services from the urban areas in which they are now overcrowded. The need for a correct road policy is emergent; and especially at the present time, as branch line railway policy has come up for such detailed investigation, the need is all the greater.

ECONOMIC DOCTRINES OF SIR THOMAS MUNRO

By

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In an interesting article on British Civil Service, Graham Wallas points out that the development of the science of Public Administration was not a little due to the efforts of some of the eminent men in the service of the East India Company.[1] Their contribution to the science of Economics is not less remarkable. While England was wedded to the policy of *laissez faire* and the functions of the State were reduced to those of a grand policeman, it was in India that the positive and creative functions of the State were realised and developed. The administration of India, as Prof. P. J. Thomas aptly puts it, was a huge experiment in State Socialism.[2] A young cadet of the Company entrusted with the administration of a whole district was thrown upon his own resources. The necessity to do things, to be positive and not merely negative, was the mother of many administrative inventions and what Bentham called "amelioration-suggestive" schemes. Of these benevolent administrators, one of the most outstanding was Sir Thomas Munro.

It is often believed that great administrators are born, that they draw their inspiration from the Book of Nature, that instinct and experience are their tutors, mother-wit and sturdy commonsense are their guides; and that their legislation is Baconian rather than Smithian or Marxian. Yet it cannot be denied that no man, however great, can shut out the subtle influences of the time-spirit and the prevailing doctrines of his day. Conscious-

1. *Men and Ideas*, p. 119.
2. *Growth of Federal Finance in India*, p. 7.

ly or unconsciously, these mould his course of action. As Laski says, every great thinker is in part the autobiography of his age.[3]

EARLY INFLUENCES.

Munro was a Scotch lad brought up in the Classical School of Adam Smith. In those days Scotland led in the teaching of economics. He was a product of the University of Glasgow, where the Smithian influence was in the freshness of its bloom, as Smith had resigned the chair of Moral Philosophy only in 1765. In his teens, Thomas Munro "devoured with intense interest Smith's *Wealth of Nations,* which he laid aside that he might for a time forget its very existence."[4] Le Fanu says: "The position advanced by Munro was such as to cause to ask with wonder whether he was the contemporary and fellow-townsman of Adam Smith, whose great work was published when Munro was five years old."[5] A good part of his leisure hours was devoted to the study of Political Economy, and even in the midst of pressing business he wrote to a soldier in the camp: "If you have got your books from Madras, send me Smith's Theory of Moral Sentiments,"[6] the earlier work on philosophy which contained the Professor's elementary exercises in economics. When he went on furlough in 1807 he replenished his stock of knowledge, alternating his intellectual pursuits between a study of Chemistry and that of Economics. To the last days of his life, he assiduously studied books on theoretical economics, taking down notes and adding his own remarks on many passages as he went along.[7]

Early in his career, Munro came under the influence of Colonel (later Captain) Alexander Read who was entrusted by Lord Cornwallis with the administration of Baramahal and

3. *Danger of Being a Gentleman and Other Essays,* p. 40.
4. Gleig, *Life of Munro,* Vol. I, p. 9.
5. *Salem District Manual,* p. 230. Munro was really 15 when the *Wealth of Nations* was *published,* although he was 5 when it was completed. He was born in 1761.
6. Letter to James Munro, dated Pinganur, 9th June 1792.
7. Gleig, *op. cit.,* p. 400.

Salem districts in 1792. A distinguished contemporary historian says, Read was theoretically inclined. "He had a speculative tendency which is too often the associate of genius."[8] Read was influenced by the economists of the time, Stewart, Smith, Anderson and Arthur Young, all of whom he frequently quoted.[9] But he constantly submitted his abstract ideas to the concrete criticisms of his Assistants. Of them Munro's were the most helpful and comprehensive. Munro's reasoned criticism of Read's proposals had as much to do with the evolution of that peasant tenure designated as Ryotwari, as Read's exposition of Young's views on size of farms.

INDIVIDUALISM AND RYOTWARI TENURE.

Munro was a great believer in the famous dictum of Arthur Young: "The magic of property turns sand into gold." Ownership in land has a "productive principle," as it excites "self-interest" and fosters the spirit of independence. Unleashing the forces of individualism it would promote intensive cultivation. In a country where agriculture required little capital, the best method of bringing extensive tracts under the plough was to parcel out land and confer it on a large number of peasants in secure ownership. Such a tenure avoided the evils of absentee landlordism and possessed great virtues from the point of view of production and distribution. In the words of Munro:—

> "It (ryotwari) is better calculated to promote industry and to augment the produce of the country, because it makes more proprietors and farmers, and fewer common labourers than the zamindary or *mootadhary* scheme; because the Ryot would be more likely to improve his land as a proprietor than as the tenant of a zamindar; and as he would enjoy the whole remission instead of a small part or perhaps none, he would be more able to do it; and because the small proprietor being a better manager and farmer,

8. Wilkes, q.v., *Calcutta Review*, Vol. XVII.
9. *Baramahal Records*, Section xxi, p. 119.

and more immediately interested than the great one in the cultivation of his land, would bestow more pains upon it, and make it yield a more abundant crop.....that by the remission going at once to the Ryots, it would improve the circumstances of the class of men from whom the revenue is principally drawn."[10]

Freedom of competition was the core of the Individualistic teaching. In the struggle for economic existence, the weaker go to the wall and the economically fittest survive, resulting in an advantage for the nation as a whole. Munro found a fulfilment of this doctrine in the Ryotwari land tenure. "In this undertaking many fail, because the loss of a bullock or an adverse season destroys their small means; but by far the greater number finally succeed and their success adds to the resources of the country. It is like the spirit of adventure in trade, which though it frequently ruins individuals, yet promotes at the same time the prosperity of the country."[11]

In the early days of the Company's rule, people were saddled with land. Cultivation was a duty, rather than an occupation of free choice. Forced cultivation was a practice bequeathed by the pre-British rulers to whom "the essence of successful administration was to keep the peasant on the land however inefficient he be."[12] Munro was against this form of State intervention. He was emphatic that the law of supply and demand must be allowed free play. Every ryot must be at liberty to take up, or throw up, as much land as he pleased at the end of every *fasli*. He held: "This is the most advantageous lease to Ryots, and the only one that ought to be granted to them. It leaves them perfectly free."[13] Freedom of occupation became the cardinal feature of the "New Ryotwari" system as established by Munro in 1820.

10. Report dated 15th August 1807; vide *Fifth Report*, Vol. III, p. 515 ff. (Firminger Edition).
11. Minutes dated 31st December 1824.
12. Moreland: *Cambridge History of India*, Vol. IV, p. 453.
13. Minutes dated 31st December 1824.

In insisting on money assessments as a central feature of his Ryotwari system, Munro, like many other civilians of the time, was largely influenced by the French and English economists of the day. The abandonment of metayage and adoption of commuted rents was a favourite reform advocated by Turgot and Destutt de Tracy. In England metayage came under a searching criticism by Arthur Young. Adam Smith's indictment of taxes proportioned to produce had reference not only to the working of the English Tithe system, but also to the *varam*, i.e. the system of taking a share of the crop as revenue by the servants of the East India Company.[14] These ideas had a profound influence on Munro; he held that *varam* was inconsistent with a just administration of land revenue.

The appeal to Nature which the Physiocrats and, following them, the Classical School constantly resorted to finds an echo in Munro. To him Ryotwari was the "natural" system. It would "continue the country in its *natural* state."

FAMINE AND STATE INTERVENTION.

The genius of classical doctrines is not suited to a crisis like famine. If the State then kept their hands off, disastrous results would follow. Sir Thomas Munro was one of the few statesmen of the day who realised this. Torn between a faith in the melancholy fatalism of the Free Trade school and the stern demands of the dire situation, Munro was at first for removing the obstacles in the free flow of trade rather than for an active interference in the grain market. In 1804 when a drought occurred in the Ceded Districts, Munro who was then the Principal Collector even suggested an embargo on the export trade to Hyderabad, as this was rendered necessary in view of the fact that the Mysore State had put an embargo on its export trade.[15] But when the question came up next year, he wrote: "The interference of Government would be more likely to hinder

14. *Wealth of Nations*, Book V, Chapter II.
15. Minutes dated 7th August 1804.

than forward it (export)."[16] It would discourage private enterprise and the knowledge that Government had entered the market would raise prices abnormally. Hence he did not propose any measure beyond suspending the export duties on grain. But in 1807 when drought became widespread, Munro favoured the more positive measures of encouraging import of foreign corn.[17] Even then he insisted on effecting it by a bounty rather than by a guarantee price, as he held that the former was the lesser of the two evils. A bounty would not interfere with the interests of private dealers whereas a guarantee price would have disturbing effects on the market as subsequent experience confirmed.

In 1822 drought again prevailed in the Madras Presidency. A Magistrate in the moffussil undertook drastic measures of price control. The Government condemned the "illegality and impropriety of proceedings of such a nature" in a circular order[18] couched in words which might well pass for an extract from the fifth chapter of the fourth Book of the *Wealth of Nations*. It is significant that Sir Thomas Munro was the Governor of the province at that time. In a Minute on the subject, he wrote: "The interference of Government on such occasions as the present is often very prejudicial, and I know of no way in which it can be safe or useful unless in suspending all duties on grain, giving perfect freedom to its transit by sea and land and securing the grain dealers from the violence of the people."[19] With a view to further encourage foreign supplies of grain, Munro recommended that for a period of one year all vessels bringing in corn might have a return cargo of Company's salt at reduced prices.[20]

In 1824 drought threatened to develop into a famine. To cling at such a crisis to *laissez faire* would be betraying a tragic

16. Minutes dated 11th January 1805.
17. Minutes dated 9th February 1807.
18. Circular Order of the Government dated 12th July 1822.
19. Minutes dated 12th December 1823.
20. Minutes dated 23rd December 1823.

ignorance of what J. S. Mill later called the dynamics of economic science. Munro rose to the occasion. He made a bold departure. The question was not one of abstract economics, but of life and death. "Were the question one of mere profit," he wrote, "I should think our not interfering in any way the best course. But when the lives of a great population are at stake, we ought to adopt every measure which may be most likely to avert the approach of famine."[21] He was acting in the spirit and not of the letter of the Father of Political Economy. And in doing so, he had indeed the sanction of economists like Malthus.[22]

FREE TRADE AND MONOPOLY.

Monopolies of all forms, and of the East India Company in particular, were unequivocally condemned by Adam Smith. Munro himself believed that "all corporations are inimical to the natural rights of British subjects. The Corn Laws favour the landed interest at the expense of the public. The laws against the export of wool and many others are of the same nature."[23]

Yet this convinced free-trader wrote and gave evidence in favour of the continuation of the Company's monopoly of Indian trade when the question of the renewal of its Charter came up before the Parliament in 1812-13. He held that the total abolition of the monopoly at a single stroke would be neither in the interest of India nor of England. "In this he was deterred from assenting to the immediate application of economic doctrines to the case under discussion by a consideration of the peculiar and anomalous circumstances under which the British Empire in India, at that time still in a condition of growth, had been formed."[24]

Munro did not by any means denounce the economic teachings of his great compatriot. Twelve years after his defence of

21. Minutes dated 23rd January 1824.
22. Malthus, *Tract on the Corn Laws.*
23. Memoranda dated 1812-13, vide Gleig, *op. cit.*, Vol. II, p. 254 (Appendix).
24. Arbuthnot: *Minutes of Munro*, p. xcv.

Company's monopoly, but many years before the principle of free trade had become an accepted dogma in England, he made the following remarks on Huskisson's tariff policy in the course of a letter to a friend in Scotland:

> "It is surprising to think that we should only just now be beginning to act upon them (the doctrines of Adam Smith); the delay is certainly not very creditable to our policy. Our best apology is perhaps the American and the French revolutionary wars, during the long course of which the nation was so harassed that there was no time for changing the old system. The nation was just beginning to recover from the American War when the Revolution in France began and had that event not taken place, I have no doubt that Mr. Pitt would have done what we are now doing."

He proceeds to show how the continuation of the Company's monopoly had only served to further the cause of free trade:

> "I am not sure you are not indebted to your old friend, the East India Company, for the measure not having been longer delayed. The attack upon their monopoly by the delegates in 1812-13 excited discussions, not only upon their privileges and restrictions and the true principles of trade, which probably prepared the minds of men for acceding to the new system sooner than they otherwise would have done, Even now there seems to be too much solicitude about protecting duties; they may for a limited time be expedient where capital cannot be easily withdrawn, but in all other cases why not abolish them at once?"[25]

Munro's anxiety to implement free trade was so great that he pleaded for its adoption by England even if other countries were not prepared to reciprocate. His arguments on this point are characteristic of the internationalism of the Liberal School.

25. *Ibid., n.*

"There is another point on which anxiety is shown, where I think there ought to be none. I mean that of other nations granting similar remissions on our trade. Why should we trouble ourselves about this? We ought surely not to be restrained from doing good, by taking their good as cheap as we can get them, merely because they won't follow our example. If they will not make our goods cheaper and take more of them, they will at least take what they did before; so that we suffer no loss on this, while we gain on the other side. I think it is better that we should have no engagements with our foreign nations about reciprocal duties and that it will be more convenient to leave them to their own discretion in fixing the rate, whether high or low."[26]

Then he goes on to show the injurious effects of Husskisson's tariff on Indian products and pleads her cause:

"India is the country that has been worst used in the new arrangement. All her products ought undoubtedly to be imported freely into England upon paying the same duties, and no more which English products pay in India. When I see what is done in Parliament against India, I think that I am reading about Edward III and the Flemings."[27]

He further pointed out that the protection England then gave to West Indian sugar at the expense of the Indian product was 'adverse to the interests' of England herself.

"It would be better for the community that the West Indian planter should be permitted to export his produce to all countries, and the duties on Indian sugar should be lowered. The gain to the nation would be more than equivalent to that of the West Indian planters."[28]

26. *Ibid.*
27. *Ibid.*
28. Memorandum on opening the trade with India to the outports, dated 1st February 1813. Vide Gleig, *op. cit.*, Vol. I, p. 398.

The provision in the India Bill of 1813 for the division of the spoils of territorial revenue between the Exchequer and the Company roused his righteous indignation. He characterised it as an attempt to "convert India into a *rack rent estate* for England."[29]

VIEW ON TAXATION.

Munro's views on taxation were not mere parrot-like repetition of Smithian canons. They are the thoughtful product of a life teeming with intimate Indian experience, a keen insight of Indian character, and a realistic view of the political position of the Company in India. Adam Smith held that indirect taxes were preferable to direct taxes.[30] Munro agreed, but he held that more important for India under the British rule was the maxim that an old tax is no tax.

> "It would perhaps be advisable that no tax of any kind should ever be imposed, unless it has been sanctioned at some former period by the customs of the country".[31]

What a foreign power must guard against is not the violation of the principles of economic text-books but of the prejudices of the people. It must proceed with great caution, avoiding rash innovations. Conformity to custom rather than reform, "revival of old rather than adoption of new" must be the guiding principle.

> "The introduction of a tax should always be preceded by a careful investigation to ascertain whether or not it was levied under the former Government; whether it was abolished, and for what cause; or whether it fell gradually into disuse, and how long it has discontinued.... "
>
> "When the state of the public resources calls for an increase of revenue in India, it will be better to seek that

29. Gleig, *op. cit.*, Vol. II, p. 255.
30. *Wealth of Nations*, Book V, Chapter II.
31. Memorandum on Benares House Tax, dated 8th May, 1812. Vide Gleig, *op. cit.*, Vol. II, p. 252 (Appendix).

increase in the revival of old, than in the adoption of new....."[32]

Again in another context he observes:

"The people will often object to paying a tax expressly for the police of their own town, while they will make none to paying a much greater increase on houses, lands, or any established tax, though not intended for their protection. Government should levy the tax most agreeable to the people, not that which appears most reasonable to us."[33]

The principle of 'the greatest happiness of the greatest number' is certainly much older than Jeremy Bentham. Munro always fought for the happiness of the vast majority. The Ryotwari system, to introduce which he waged a battle lasting for nearly two decades, had that end in view. It not only established economic justice, but also brought in more revenue. He subsequently applied this principle to other sources of taxation. To be productive as well as to be popular, he held taxation must be broad-based.

"In order to make it be little felt and at the same time be productive, it should be rendered as general as possible, exempting, however, all such persons and places as formerly enjoyed that privilege, and rating the manufacturers and merchants by a low scale, to be raised hereafter as experience might dictate."[34]

The solicitude for manufacturers and merchants is perhaps a vestige of the Physiocractic doctrine that land alone yields the net product. At any rate it was not misplaced at that time, when the impact of the Industrial Revolution was sounding the knell of important Indian manufactures.

32. Memorandum on Benares House Tax, *op. cit.*
33. Memorandum 1814-15, Gleig, *op. cit.*, Vol. II, p. 260 (Appendix).
34. Memorandum on Benares House Tax, *op. cit.*

Munro's views on taxation for war purposes may be of topical interest. To levy taxes without popular consent is not the best means of gathering the sinews of war. And the tax-payers must have the assurance that the larger sacrifices during war will be accompanied by adequate reductions in peace time.

> "Every great state must have the means of raising extraordinary taxes in times of war. If it has not, it can only meet its expenses by reductions in peace; a resource which must soon fail, as it cannot, without danger, be carried beyond a certain limit. This principle ought to be kept in view in all revenue measures, and ought to be fully explained to the inhabitants."[35]

Such a tax system, he says, admits "a regular reduction of taxation in peace and increase in time of war" and which is raised "by showing the reason of it and gaining their confidence, so that they may pay willingly in war from the certainty that reduction will follow in peace" will "raise the character of the natives." But, he added, no embarrassment should be created in times of war.

> "When we are actually at war it is not the business of a subordinate government to ask questions about the origin or justice of it; but to use every exertion to enable the superior government to get out of the war as well as possible." [36]

'No taxation without representation' is an invaluable teaching of English History as well as of Political Economy. Munro held that it applied to all nations—bond or free. Liberal statesmanship as well as administrative self-interest pointed to its adoption.

> "The right of the people to be taxed only by their own consent has always, in every free country, been esteemed amongst the most important of all privileges; it is that which has most exercised the minds of men and which has oftenest

35. Gleig, *op. cit.*, Vol. II, p. 255.
36. Maxims of Munro, vide Gleig, *op. cit.*, Vol. II, p. 308 (Appendix).

been asserted by the defenders of liberty. Even in countries in which there is no freedom, taxation is the most important function of Government, because it is that which most universally affects the comfort and happiness of the people and that which has oftenest excited them to resistance; and hence both its utility and its danger have, under the most despotic Governments, taught the necessity of employing in its administration the ablest men of the country.... We ought to make them acquainted with our objects in taxation, and with the principles on which we wish it to be founded, in order that, in communicating their opinions to us, they may not be guided by the mere object of raising the revenue, but that of adapting the revenue to the wants of the State and the circumstances of the people. It is desirable that this knowledge should be widely diffused among the natives; but it can only be effected by their having the benefit of free intercourse with us and of acquiring experience in important official situations".[37]

True to his convictions, Munro applied this principle in practice to the best of his ability. In fixing the assessment on land the Assessors were instructed to consult the principal ryots before arriving at a decision. In case the difference between the local ryots and the Assessor was considerable, resort was to be had to arbitration by the prominent ryots of the neighbouring villages. He also created the *Mahratta Dufter* or the Native Revenue Board, which bearing a pale semblance to the Board of Revenue succeeded in training Indians to revenue duties of great responsibility and power. Above all his fervent plea for the elevation of Indians to high rank on liberal salaries had remarkable influence on the policy of the statesmen who came after him. He was one of those who believed in the economy of high salaries to offices of trust.

37. Minute on the State of the Country and the Condition of the People, 31—12—1824.

> "Though economy is to a certain degree commendable, the parsimony can never be advisable which denies to men in responsible situations the fair reward of their services. It is surely a degrading spectacle to contemplate a great and civilized people fallen under a foreign dominion, with the first men among them not only excluded from all power, but reduced in salary, even in the highest offices which they can hold, nearly to the level of domestic servants."[38]

The highest office to which Indian talent was ordinarily admitted was that of the Sheristadar, whose salary after 20 years of service was seldom above Rs. 200 per mensem.

MUNRO AND RICARDO.

Ricardo published his *magnum opus* (*Principles of Political Economy and Taxation*) in 1817. In 1820 Munro, who then was Governor of Madras, found time to read it, take copious notes and make comments on striking passages. The conception of an "economic rent" is usually attributed to Ricardo, although it is now well-known that Malthus and West had anticipated him.[39] But the Baramahal Records contain ample evidence to show that the Company's servants, Read and Munro, had anticipated the Professor and the Barrister. The germ of Ricardian theory of rent can be traced to the writings of Read, the Superintendent of Baramahal and Salem Districts.[40] Richard Jones an authority on the subject of rent and successor to Malthus in the chair of Political Economy at Hailebury College draws at length from Munro's Minutes.[41] But Munro did not have the flair for dressing up his writings in what Leacock satirises as "esoteric language" of the academic economist. It was not his business to give it a "jargon and break away from plain terms". What Ricardo termed

38. Report dated 10th April 1806; vide *Selections from the Records of East India Company.*

39. J. R. McCulloch's Introduction to *Wealth of Nations* (1828), p. xci.

40. *Calcutta Review,* Vol. XVII, pp. 298 and 302.

41. Cf. B. Natarajan, Influence of Classical Theories on Interest Regulation in India, *Economic History Review,* Vol. IX, No. 2.

"economic rent" Munro had called as "landlord's rent" long before.

By the time Ricardo's work reached Madras, Munro had established his New Ryotwari system and drafted the Land Revenue Code. However he draws from the work of the economist one or two important conclusions for India. Ricardo's statement, "No one would pay (rent) for the use of land, where there was an abundant quantity not yet appropriated"[42] provides Munro with an explanation for the absence of phenomenal prosperity from his policy of breaking up waste lands. Munro adds, "This abundance of unappropriated land in many parts of India would probably hinder rent from being paid, even though the assessment left an excess above the profit of stock".

Referring to taxes on transfer of capital, Ricardo says: "It should be the policy of Government never to lay such taxes as will inevitably fall on capital, since by so doing they impair the funds for the maintenance of labour."[43] This gives Munro food for thought. He writes: "Both he and Adam Smith condemn all taxes on the transfer of property, 'stamp duties, and duties on the registeration of bonds'. They prevent the national capital from being distributed in the way most beneficial to the community. In India they should perhaps be abolished entirely, but certainly in all cases affecting the ryots, who are continually borrowing to pay their rents."[44]

These notes and commentaries on Ricardo's Political Economy reveal the intellectual tastes and powers of this liberal statesman especially when it is remembered that these theoretical jottings were made in the midst of engrossing official business of an active Governor of a Presidency, in an atmosphere unsuited to the pursuit of abstract science and at the age of sixty with a failing eyesight.

42. *Political Economy*, Chapter II.
43. *Ibid.*, Chapter VIII.
44. Gleig: *op. cit.*, Vol. II, p. 295.

CONCLUSION.

The appearance of Munro on the administrative firmament shedding a benevolent light over the destinies of millions of mankind was an event full of significance for the 'benighted' Presidency. There is no other British statesman-economist who has given so much, nay even life, to the lasting welfare of the masses of this province. No wonder that long before he was elevated to the gubernatorial distinction, the Government of Fort St. George wrote to the Court of Directors that "every writing of Colonel Munro's is entitled to attention", and referred to "his vigorous and comprehensive understanding' and "the range with which his mind takes through the whole science of political economy. . . ."[45] In the middle of the last century a keen student of Indian economic problems wrote, "though the principles of Political Economy are the same all over the world, it is to their judicious application to circumstances and conditions of things around us, rather than to a blind adherence to the bald principles of the science itself, that we must look for the happiest results."[46] The greatness of Munro lies in his realisation of this truth at a much earlier date. "No theoretical improvement should make us abandon what is supported by experience"[47] was a favourite maxim of this practical economist. Laissez faire was not, to him, an article for export "untouched by hand". His was not the life spent in an "apple-pie" world.

45. Letter from Fort St. George to Court of Directors (Revenue), dated 12th August 1814.
46. Major Nassau Lees: *The Land and Labour of India*, P. IV (1867).
47. Gleig: *op. cit.*, Vol. II, p. 309 (Appendix).

WOMEN IN GAINFUL EMPLOYMENT IN THE MADRAS CITY

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A study of the extent and nature of gainful occupations of women in the City of Madras will serve to show the measure of poverty among the working classes in the city and point out the handicaps to the welfare and efficiency of the future generation. The extent of women labour in Madras is indicated by the following table:—

Census Year.	*Women Workers.*	*Per* 1000 *Male Workers.*
1901	35,076	716
1911	32,415	648
1921	30,136	585
1931	27,981	896 (or 451?)

The total number of women workers in the city is steadily declining. The rise in the ratio of female workers to male workers, from 585 in 1921 to 896 in 1931, is the result not so much of an inherent increase in workers as that of the inclusion of 'House-keeping' as an entry under Domestic Service in 1931. Without this inclusion, the proportion of female workers would sink to the figure of 451, much below the 1921 figure. The tendency towards general decrease of women workers, noted in 1921 by Mr. Boag, the Census Commissioner, seems to be still continuing. But a few of the avocations followed by women have shown a marked increase as seen in the following table:—

Occupations of women.		1911.	1921.	1931.
Production Industries				
Market gardening	..	165	283	119
Forest produce	..	352	199	121
Textiles	..	1132	933	788
Ceramics	..	183	133	63
Wood	..	144	120	142
Total	..	1976	1668	1233
Food Industries				
Grain parchers	..	1623	302	150
Butchers	..	116	86	27
Sweetmeat makers	..	154	357	46
Tobacco	..	95	115	433
Total	..	1988	860	656
Dress and Toilet				
Tailoring	..	660	208	128
Shoe-making	..	99	65	33
Washing	..	411	766	571
Total	..	1170	1039	732
Limeburners and masons	..	156	117	108
Transport	..	785	836	956
Trade in food-stuffs	..	5834	4941	3341
Miscellaneous trade	..	104	401	734
Scavenging	..	1621	1616	1328
Domestic service	..	5750	4194	4443
Medicine	..	73	719	911
Education	..	737	722	1430
Religion	..	250	155	125
Arts	..	313	244	231
Beggars and Vagrants	..	1045	727	374
Prostitutes	..	..	888	793
Indefinite Occupations	..	4748	4741	6500
Total of all the items listed above	..	27550	23868	23895

It is gratifying to note the very marked increase in the number of women workers in educational and medical fields. Women have come to realise the handicap of ignorance in their attempt to become self-supporting. Ignorant poor women, unskilled and untrained, can only swell the number of casual coolies or the so-called 'Independent Trades.' But it is rather disturbing to find the increase in the number of workers under 'General labour,' 'Trade', and 'Transport'. Nothing is more significant of the lot of women than that twenty five percent of them should be engaged in 'General labour,' which really means casual coolie work with no definite idea of the duration of employment or of the certainty of getting living wages. Next in order comes 'Domestic service' where security is not very much greater and the work is harder. Then follows 'Trade in Food-stuffs' with precarious earnings. Thus on the whole we find that women are employed as independent or actual earners more in distributive and service industries than in production industries. Apart from these women workers, a much larger number of women, 94,573, come under the insufficiently defined heading, 'Working Dependents'; but really very many of them are supplementary earners at 'Home Industries.' Only they are not the heads of families. Including their number, the women workers form nearly forty percent of the total workers of the city. But as independent earners women are less than ten percent. The proportion of women to men in the various occupations is as follows: —

Occupations.	*Percentage of Women.*
1. Production industries	10
2. Food industries	19
3. Dress and Toilet	8
4. Transport	5
5. Trade	16
6. Scavenging	43
7. Domestic service	30
8. Medicine	30
9. Education	33
10. General labour	23

The high percentage of women in unorganised and menial occupations is due, on the one hand, to the lack of large-scale industries in the city and on the other to the reluctance of industrial employers to employ women. The Buckingham and Carnatic Mills are the largest of Madras industries employing about 10,000 labourers. But they do not employ women at all. The mills in Coimbatore employ 5506 women in the spinning and reeling departments and they constitute 44 percent of the total number of labourers. Madura Mills employ 3324 that is 46 per cent of total workers. In the recently established Salem Mills 31 per cent of the workers are women. The cotton Mills at Choolai in Madras, which had been employing about 200 women workers, is now closed down. The other important industrial activities of Madras are the electric and engineering works, locomotive and railway workshops, printing presses and type foundries, in none of which is there any chance for women to be employed. There are, however, a few large industries, some mechanised and other non-mechanised, employing women for some hard but low-paid and mostly unskilled jobs. The following table gives the number so employed:—

Industries.	*No of Factories.*	*Total No. of women workers.*	*Range of wages.* Rupees. per month.
Mechanised			
Western India Match Factory ..	1	81	15–to–25
Aluminium Factory ..	1	38	9–to–13
Rice Mills ..	3	26	8–to–10
Tile Factory ..	1	30	3–to– 8
Aerated water works ..	8	26	6–to– 8
Non-mechanised.			
Washer Factories ..	2	220	8–to–11
Tanneries ..	3	56	7–to– 9
Wool-sorting Factories ..	2	51	4–to– 8
Gram Mills ..	2	85	4–to– 8
Brick works ..	5	624	7–to–12
Snuff Factories ..	4	47	2–to– 5
Total ..		1284	

The number of women as well as the role of women in non-mechanised industries seems to be more important than in mechanised industries, as the dexterity and cheapness of women labour are the mainstay of some of those industries. The wages, however, are higher in the mechanised industries where the payment is monthly or weekly than in non-mechanised industries where the piece rate system is more common. All the non-mechanised and some of the mechanised industries work only for eight months in the year and close down during the rains. But the labour is tied down to the industries by various methods. Gram mills advance loans during the off season and provide quarters for a small rent of two rupees a month. Wool sorting and baling factories keep on labour by the supply of provisions on credit during the off-season. Brick works grant places of lands for cultivation during the days of unemployment in the factories and they also provide materials for thatching huts on the company grounds. The tendency therefore among the labourers in all these industries is to work in family groups. This system leads to women working as dependents, not as independent wage-earners. Even if they are not employed in family groups we find the women working in the same area or in the neighbourhood where their men work. The industries in Madras are most of them located near one another in the North and North-western Madras.

Women engaged in gainful occupations in their own homes do not acknowledge themselves as earners at the census entry. Hence a good number of them are under the classification 'Working Dependents'. As actual earners they are three times the number of factory workers. Their occupations may be divided into two main groups, (1) Piece-wage work for an agent who supplies raw materials to be worked at the homes with definite instructions regarding the quality of the work and (2) Independent Trades with their own capital taking the risk of loss or gain.

Piece-wage Industries	*Independent Trades*
Tailoring	Basketry
Embroidery	Pottery
Bidi	Toy-making
Flower threading	Pith-works
Nut peeling	Leaf-stitching
Grain parching	Sweetmeat making
Pottery	Papadams making
Weaving	Condiments making.
Washing	

Where women observe Purdah, the work is brought to their homes. There are also intermediaries who distribute raw materials and collect the finished products and take a commission from the wages for their trouble. These people in the trade minimise the irregularities of contract work, for they supply regular work taking orders from various contractors. Many women workers prefer this system of work as there is at least the certainty of employment though the remuneration may be low. In the independent trades entire work is usually turned out at the home, whereas in the contract work specialisation of particular parts of the work has come into vogue; for example, in the bidi industry there are different groups of workers some for rolling and some for labelling after the leaves have been cut by men and so on.

Women's work in these home industries can be classified in another way: as main and subsidiary work. In weaving, washing and pottery for instance women work only at certain processes of the industry. Women in the washing trade, mark, sort, dry, fold, collect and distribute, but they never beat or iron the clothes. In weaving women do the preparatory work of winding, warping etc., but seldom work at the looms, at any rate in Madras. On the other hand in trades like basketry, tailoring and confectionary women turn out the whole work by themselves and hence they are the main workers.

Hours of work generally depend on the need and circumstances of the workers. A woman who wants a supplementary income may take up part-time job, to be done during the afternoon hours, when she is comparatively free from domestic duties. But for a woman who depends on it for her living it becomes a full time occupation and she may even slave at it, at the risk of her health and neglect of domestic duties. There is, however, a time limit in certain industries due to the nature of the work, especially in the case of perishable articles. Flowers, for instance, come from suburban parts, by rails, at about 9 or 10 a.m. It is then distributed by sub-contractors for threading. By 3 or 4 p.m. the work of each must be finished, otherwise, as perishables they cannot be sold after a time, the contractor debits the loss to the account of the worker. Hence the feverish speed among the workers, to finish the work in time.

In piece-work the worker is at least assured of a definite wage whereas in independent trades the income may result in a loss or gain. Often the net income in the latter may not even equal the amount which she could earn as piece wage worker. The normal rates of earnings in the various trades, in whatever way pursued, are approximately as follows for a day of eight hours work:—

Occupation	*Income* As. P.	*Occupation*	*Income* As. P.
Tailoring	9 0	Flower threading	8 3
Embroidery	11 6	Grain parchers	4 6
Ceramics	7 0	Nut breaking	3 6
Weaving	4 6	Basketry	6 0
Washing	7 3	Sweetmeats	5 6
Bidi-making	5 0	Leaf thatching	2 6

Very often work is not available for eight hours of a day or for many days in the year. Again, it is only in certain industries and in certain homes that the women undertake the work directly and thus get paid for the work turned out by them. But in

weaving, washing and even in ceramics, we find that women are not themselves paid individually for their work. The payment is made for the entire work of the family and so the women become dependent labourers. This happens particularly in the industries where women's work is subsidiary. But an idea of what is due to them can be had from the wages paid to an outsider when the woman at home is unable or unwilling to do the work.

The love of ease of the richer classes and, latterly, the desire for social activities offer increasing scope for paid domestic service. Certain castes and communities have taken to specialising as cooks, maid-servants, baby ayahs and nurses and food-carriers. But these are not organised employments and therefore they easily lend themselves to exploitation. The terms of employment of work as regards wages, hours, etc., are regulated partly by usuage and are partly left to the will and pleasure of the employers. According to the last Census, 4443 were engaged in these domestic service, which works out at one woman servant for fifteen households, the total number of houses in the city being 64,621.

Cooks constitute the aristocracy of domestic service. There are different classes of them, as caste exclusiveness is found to be still most operative as far as cooking and eating are concerned in Hindu families. Brahmin widows stand foremost with high rates of wages, ranging from Rs. 8 to 15 per month with food. They work for six to ten hours a day. The non-Brahmin women cooks do harder and longer hours of work. But their wages are lower, about Rs. 5 to 7 per month often without food. The growing popularity of Nair cooks from Malabar in educated families tends to oust the Tamilian women from this field. There is a fall in their wages, by thirty per cent compared with what they were a decade back.

In the non-Hindu households a good number of girls are employed as kitchen maids. By assisting the cooks, they get trained as cooks. Wages are about Rs. 3 to 4 a month with a single meal and permission to carry home the remnants. They

are very much hard worked and are often at the mercy of their boss the chief cook.

The char woman doing sundry work like cleaning, scrubbing and washing, earns about Rs. 2-8 on an average per month and works an hour or two in the morning and an hour in the evening. Often a single woman manages to work in two or three households and generally is the sole recipient of remnants of food and old clothes. The bulk of them are emigrants from the dry villages in neighbouring districts; their husbands work as casual coolies in the city.

The demand for an occupation like 'Food carrying' arises from the needs of the manual workers and of students and petty officials who have their principal meal in the lunch interval, but have their place of work far from home. Since it is a matter of food, caste consideration enters into the work. The Hindu and the non-Hindu carriers differ much in their mode of work. The work is more specialised by the Hindu workers. Hundreds of them can be seen carrying food, each for about four to ten persons arranged in large baskets. Everyday most of them walk to and fro a distance of eight to ten miles, in sun or rain. Some of them have latterly been using the omnibuses. They are paid by every person to whom the food is carried at the rate of annas 6-to-12 per month and they also get a share of the food. The non-Hindu carrier does not usually get a share of the food, as it is very often sent on plates, but is paid higher, Rs. 1 to 1-8, by each person. In the case of the Hindu workers the remnants are not leavings, as the food is served separately from the carriers. Hence they are able not only to make use of it for their personal and family needs but also to sell it to coolies, especially the Rickshaw pullers at the rate of one or two annas a meal. In this way they make two to four annas a day, a very welcome means of purchasing the daily needs of food-stuffs. The monthly income of Rs. 4 or 5 is left over to meet the standing expenses like rent, clothing etc. In the case of single women the daily income is often invested in chit funds and jewels. The sale of remnant

food in this manner may be an undesirable practice, found perhaps only in South India, but it is quite a business proposition for many an unskilled women forced to earn a living.

Scavanger women take to private house-scavenging, and usually do about ten to fifteen houses. They get paid at the rate of Rs. 1-4 per household besides occasional presents in kind like old clothes, and food on festive days. The demand for their service has very much declined due to the advent of the flush latrines. The earnings have fallen to Rs. 4 or 5 a month, as their work now is limited to the mere washing of these latrines. Yet the number of these workers is as high as 1328 and they perform a very necessary though unpleasant duty. As subsidiary occupations these women take to bone-picking, dust-bin sorting, and gutter seiving and earn an extra Rs. 2 or 3 a month. Their occupations, however necessary for the public and gainful to the workers, are all unwholesome as well as loathsome and constitute a blot on our economic system. Mechanisation and sanitary engineering developments may deal a blow to these employments but they will at the same time aggravate unemployment. These women already feel aggrieved at the growing unemployment, for they consider hard work as a legitimate part of their lives. Home and home-making take up a minor place in their life, and they share work and vice equally with men. It is a pity that the services of such able bodied and willing to work race of women should go without utilization in a proper way. Openings may be found for them in trades suited to their present standard of living. In Madras a good number of women from this community have entered hospital service as orderlies and sweepers and are found to be quite efficient.

In major industries the conditions of work are regulated by the Factory Act, which provides special protection for women. But the reaction of capitalists to this very well-meant measure is not always for the good of the women workers. For instance, the passing of Maternity Benefit legislation has definitely alienated the employers of the Western India Match Company

that they have stopped taking new women hands into the factory. Aluminium works keep out women from the roll of regular employees to escape the maternity benefit obligation. Washer factories manage to dismiss women workers who are entitled to the benefit, on some pretext or other. They refuse work for women with small babies, in order to save the trouble of providing creches. Article 4 of the Draft convention adopted by the Washington Labour Conference in 1919 strictly warns the employers against these malpractices. But in Madras we find mere legislative provision very ineffective as it is not properly enforced. Even the W.I.M. Co., workers who receive the benefit complain of delay of about three to six months, which puts them to unnecessary expenses.

The conditions under which women are made to work are not safe and healthy in some industries, which escape the regulations of the Factory Act. Workers complain of the insolence and harshness of male overseers, in the smaller establishments in particular. They are most of them ignorant of their rights as workers. There is indeed a strong case for a Woman Inspector of Factories. "A woman inspector would often see the irregularities without being told. Her instinct would enlighten her."

The health of the women workers is also very much affected by what Major Norman White calls the "neglect of industrial hygiene." Where women work long hours in the close and sickening atmosphere of snuff and tobacco, lassitude and giddiness, due to nicotine poisoning, are the common complaints. Lime and brick workers are affected by silico poisons. In the aluminium factory, there are not adequate measures to protect the women workers from injurious gases, which are given off from the caustic alkalies used by them in cleaning processes. Wool, while it is in the process of lime and sulphide treatment, is given to women for sorting; it affects their health and leads to skin diseases. The copper sulphate used in the pastes handled by the women daily, in washer-making, acts as a slow poison on the weaker women. The exposure to the dust laden atmosphere

within the woollen factories and gram mills affects the lungs and leads to tuberculosis.

The evil does not stop with sapping the energy and stamina of the women workers but it also affects the health of the children born to them. Such of the children as escape infantile mortality remain weak and attain low efficiency of labour power. The effects are thus highly cumulative. Hence even in the so-called organised large-scale industries we find the conditions of women workers quite deplorable.

The one basic remedy for the social and economic malady from which women are suffering to-day will be education, though its effect may be felt only in the long run. True, the immediate requirements are economic adjustments like minimum wage level, technical training and higher wages for men etc., all of which may prevent women from falling into industrial slavery and assure them a home wherein they could utilise their labour-power for a better purpose. But general education will save women from degradation under circumstances where they are forced to make a living. Free compulsory elementary education will give them at least the chance to enter into some decent vocation and earn a living wage. Higher education and specialised courses, for which a few women alone can aspire at present may lead to the advent of women politicians and social welfare workers, who may intervene for the sake of their suffering sisters to bring about more effective ameliorative legislation. General education of a larger number is bound to change the outlook on the economic position of women, which is even to this day mid-Victorian if not mediaeval and not far from the picture of Tennyson, namely,

> She knows but matters of the house
> And he, he knows a thousand things!

Social inabilities which handicap women in their industrial life will be gradually got rid off and the economic independence of women will be assured if education spreads among them.

Surely, from the stand point of social economy no wiser use could be made of the rising standard of living under modern industrialism than to secure for every woman destined to be wife and a mother that relief from the physical strain of wage work which shall enable her to bring forth healthy offspring and to employ her time in the better care of the children and family. But so long as the present economic system encourages woman to neglect the duties of domestic life and of maternity, by demanding her labour for the low paid and unhealthy occupations, so long shall the penalty be paid in the physical and moral deterioration of the people that we see in the low city life.

BALANCING OF TRADE

By

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There are many theories of balancing of trade. Two of them are more important than others. One is that we pay for our imports by our exports, and that unless we exert ourselves and produce more and more for exports it is impossible to sustain our imports. The second theory is that the volume of surplus of exports over imports is really not an indication of the prosperity of a country, but rather that it shows that more has to be produced and exported, and that to that extent local consumption is reduced. There is truth in both the theories, which means that what actually matters in the matter of balancing trade is not so much a balance of exports and imports as a balance of accounts. In Japan, for that matter, there is adverse balance of trade as a rule. In 1937 it was as much as 607 million yen. Is Japan perturbed over it? Similarly the United Kingdom is in a chronic unfavourable balance in her annual trade position. In 1937 the import was £1,027 million and export £ 521 million, leaving a net unfavourable balance of £ 506 million. Has there ever been any question raised in the House of Commons about this chronic surplus of British imports? The very term "unfavourable balance," as it is generally understood, is a misnomer in their cases. Instead of being unfavourable in effect, the balance of trade that is witnessed in these two countries is actually a measure of the increasing accumulation of national wealth from foreign sources and every patriot would be looking forward at the end of every year to a progressive increase in the so-called unfavourable balance of trade in Japan and the United Kingdom.

When we turn to India in this respect the matter takes an entirely different turn. India has been for many years past a producer for export and she has always had some surplus of export over import. In technical language this means a favourable balance of trade, and it is so if export and import of commodities alone are taken into account. But it has been estimated that annually about Rs. 75 crores worth of commodities are required to balance what are called India's invisible imports by way of Home Charges, services of banks and insurance companies, services of employees, profits of investments and so on. So long as India depends upon foreign countries either for loans or for such services, she must needs keep up the level of her present exports in order to leave a margin in the volume of export trade so as to keep our creditors in good humour, and the so-called favourable balance of trade is no matter for jubilation.

The favourable balance of India in merchandise has been a highly fluctuating item. Taking decennial figures the favourable balance was Rs. 30 crores in 1888-89, Rs. 37 crores in 1898-99, Rs. 53 crores in 1908-09, Rs. 76 crores in 1918-19, Rs. 112 crores in 1928-29 and Rs. 17 crores in 1938-39. These surpluses used to be liquidated, to some extent, by import of gold and silver worth about Rs. 20 or Rs. 25 crores; but since Britain went off the gold standard in 1931 there has been a steady outflow of gold from India, which, like adding insult to injury, added to the already existing loss of surplus exports in goods. This export of precious metals has aggregated to the value of about Rs. 350 crores in ten years' time.

India was long having a very favourable balance of trade, on the whole, with several countries. There has, however, been an unfavourable balance with countries like the United Kingdom which for many years had been a bad sinner in this respect. Similarly India is having an unfavourable balance of trade with Burma by about Rs. 16 crores, and so also with Kenya, though on a much smaller scale. It used to be the case also with regard to Java, but it has since disappeared owing to the growth of the

local sugar industry. And wherever India had a favourable balance of trade it is used to be said by the Government of India that it was a handicap in bargaining for trade treaties as it was a question of readjustment of trade between the two countries so as to make advantages and disadvantages even.

The war has had a serious reaction on our export trade which, in some respects, should be regarded as a measure of our purchasing power. Between 1939-40 and 1940-41 the exports declined by Rs. 17·01 crores. The imports also during the same period declined by Rs. 8·49 crores. Export of hides and skins declined by Rs. 97 lakhs, oilcake by Rs. 1·29 crores, raw cotton by Rs. 6·58 crores, oil-seeds by Rs. 1·84 crores, raw jute by Rs. 11·9 crores, raw wool by Rs. 1·58 crores and so on. Simultaneously local consumption went down in 1939-40. The average consumption of salt was 10·31 lbs. against 18 lbs. in France and 40 lbs in U.K. sugar 26 lbs against U.K.'s 105 lbs and U.S.A.'s 94 lbs, and cloth 16 yards per head. Comparing consumption of India during the decade 1930-31 to 1940-41, in which period there was an increase of 15 per cent in population, the following figures reveal the decline in standard:—

		1930–31	1940–41
Kerosene Oil ..	gallons	2,27,852,049	2,22,000,000
Sugar (refined) ..	tons	1,121,00	1,074,311
Cotton piecegoods ..	yards	60·1 million	61·6 million
Matches ..	boxes	18,489 gross	21,969 gross
Postcards sent ..		540,779,698	371,895,000
Number of third class passengers		550,879,000	513,533,000

If all the raw materials were used within the country, it would help internal consumption and increase per capita income. Groundnuts and seeds are exported, while we are starved for fat and dairy products. Cotton is exported, while more and more cloth should be produced in India. We export hides and skins, while millions of people go without footwear. Bone is exported while agriculture is starved.

And what about the present control of prices ?

Everybody expects in theory that there should be as little interference as possible in the working of the economic forces or in the operation of the conditions for a fair price. But in recent years Governments have been showing a tendency for interference in all economic matters not excluding control of prices. Although there may be some justification in war time for States intervening to prevent exploitation of any particular class or community, e.g., producers or consumers or taxpayers, the interference of the kind for which the Government of India have made themselves responsible by way of shutting out all buyers from the Indian market and then holding down internal prices by scheduling purchase prices in London as they have done in the case of groundnut or hides and skins or jute and so on, is open to grave objection. This insidious exploitation of the Indian producer probably involves him in a greater sacrifice in war efforts than what other sections of the population have been responsible for. The producers during the time of the control have not only lost the prospect of high prices from foreign buyers, but have also lost many of the standing markets in other countries as they have turned their attention to new sources of supply.

Payment for surplus of exports is made as the exporter wants it and in whatever form he likes. If we could import to the extent of our surplus such capital goods as plant and machinery the productivity of the country would be very much improved. As Prof. Keynes says: "Imports are receipts and exports are payments. How as a commercial nation can we expect to survive ourselves by diminishing our receipts?"

The trade of many a nation in recent years started dwindling seriously in the attempt to make the countries self-supporting in respect of raw materials and manufactured goods. In their ingenuity several synthetic substitutes for rubber, leather, dyes, clothing fibres and so on, are being produced, which are however found to be very costly and uneconomical in a competitive market, the only advantage about them being that in times of emergency the country can safely depend upon the local supplies.

Similarly many countries took serious steps to start new industries, and strengthened their existing ones by artificial means like import quota, subsidies, compulsory consumption of local production and so on. Several countries have also entered into barter agreements with other countries in pursuance of the same principle. Particularly countries which expected to be sooner or later thrown into the vortex of war have been for some years past seriously legislating and taking other administrative measures to adjust their balance of trade so as to limit remittances and payments abroad. This was particularly the case with regard to Germany and Japan. There is no doubt that this process has greatly consolidated the position of those countries by strengthening their economic resources and enriching their monetary position.

It is interesting to recall in this connection the findings of the Joint Committee of the Assembly of the League of Nations appointed in 1934 to investigate the clearing agreements between nations and their effect on international trade. The Committee put its foot down on the clearing system and foreign exchange control generally as introduced by several countries at the time. One feature of Italy's latter day economic policy was the general tendency to a decline in the purchasing power due partly to its old pursuit of the theory of economic self-sufficiency. The Government in 1935 prohibited the manufacture in Italy of jute twine ropes as well as hemp covered ropes and prohibited their sale afterwards. Concurrently the license system for imports was introduced covering a larger number of imported articles. Speaking in Rome the President of the Institute of Foreign Trade in June 1935 disconsolately observed that commercial agreements intended to balance imports with exports generally ended in adjusting them to the lowest figure. Similarly Germany made a general levy on German industry in order to subsidise export trade. This levy amounted to about 800 million Reich marks. The United States of America also set about allocating a percentage of the annual customs collec-

tion, which amounted to 100 million dollars, for subsidising exports of American farm products. Japan made it compulsory that one-third of home consumed clothing should be staple fibre (substitute) for cotton. Each important country in this manner passed legislative and administrative measures to make itself as independent of natural raw products as the resources of science would permit.

What is to be the future? If each country is to be self-sufficient in the matter of production and consumption there is bound to be very little left over for international trade. Foreign trade will accordingly be affected and trade relations between countries will be seriously disturbed. Cost of production will rise in respect of many commodities, and there will be a waste of human energy. There will no more be the interplay of the forces of nature and all activities will rest on an artificial balance. This will also give rise to friction between countries, as occasions of contact will be reduced to the minimum and points of difference are bound to arise leading to conflict.

The question of balancing trade is mainly connected with the question of remittances abroad and conserving of gold resources. Scramble for gold has been very patent in recent years and the problem of even distribution of gold for the requirements of the countries is said to be one of very serious difficulty. Gold valued at $3,040,000,000 from foreign sources was added at the commencement of the war to the domestic monetary gold stocks of U.S.A. Germany has, on the other hand, determined to free herself from the obligations of gold currency, and she is seriously trying to rope in as many countries as possible to join a paper currency or non-currency fraternity, independent of gold reserves. The absence of a proper medium for settlement of balances may eventually be a serious handicap to international transactions. The economic obligations between countries have received a rude shock by territorial aggression which has taken place during the war. Many countries which made heavy investments in foreign countries for economic development or trade

have suffered by transfer of political power and consequent repudiation of prior obligations. This policy of foreign investments is, therefore, undergoing a change, and it is not clear what will be the policy of investing countries after the war. In India the British Government have forestalled such difficulties by a scheme of repatriation of India's sterling debt to the extent of £95 millions. This reduction of foreign indebtedness of India has been a plank in the platform of Indian economic agitators and experts, and Government made a virtue of necessity and liquidated a good portion of the sterling indebtedness of the country from the accumulated sterling available with the Reserve Bank of India.

METHODS OF FINANCING THE WAR

By

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From the financial point of view, as well as from others, the present war is a colossal affair. Already, Great Britain is spending at the rate of £5,000 million a year. In the event of the war continuing for another one or two years on the present or expanded scale—and expert opinion goes to indicate that it will be prolonged—that country will have to find that huge amount and even more, to keep the war going. How to find the amount is the question.

To finance the war effectively three methods are open. The adoption of any one of them will not solve the problem; they should be adopted in combination, as complementary to one another, without which adequate finance cannot be secured. According to circumstances, there may be preference for any one method; but, since expenditure will be on such a huge scale, it may not be possible to secure the requisite amount of money by any single method, however perfect it may be considered from the theoretical point of view.

The three methods of war finance above referred to are taxation, borrowing and inflation. The last method is univerly rejected, as being a most unsatisfactory method with very serious and dangerous repercussions on the entire economy. Its adoption is to be reluctantly reconciled with if such a course becomes inevitable in the final instance when the other two methods have failed to produce the necessary amount of finance.

Taxation and Borrowing

As regards the other two methods, controversy has raged whether the war should be financed out of taxation or out of

borrowing. The protagonists of the former school of thought argue that the generation concerned with the war should foot the entire bill and that no portion of the burden be transferred to the shoulders of the future generation. The advocates of the latter school argue, on the other hand, that, as the welfare of the future generation is intimately bound up with the fortunes of the war, it is but just and proper that it should be prepared to shoulder a substantial portion of war expenditure, without endeavouring to throw the entire burden on the present generation. Whatever may be the theoretical justification, or otherwise, of these opposing contentions, I believe that it is practically necessary (and in my opinion even theoretically justified) to finance the war by a judicious combination of both the methods, as taxation alone may not be able to secure the entire amount required for the effective and successful prosecution of the war.

When Inflation becomes Inevitable

A time may even come when both these methods will be found inadequate; in that case, resort will have to be had even to inflation, however unpalatable the method may be under other circumstances. To win the war is the paramount consideration; and to achieve that consummation, all necessary methods must be resorted to, whether we like them or not and even if any of them is expected to produce complex adverse effects on the economic structure. If inflation, for instance, becomes inevitable as a method of war finance, then it should be adopted, care being taken to see that its adverse consequences on the economy are checked or minimised as far as possible. The first preference must, of course, be given to taxation. When this method has been fully exploited but fails to yield the requisite amount, then resort must be had to public borrowing, care being taken that such is done from out of the genuine savings of the people.

Mr. Geoffrey Crowther on War Finance

I am supported in this view by Mr. Geoffrey Crowther, the talented editor of the *Economist*, who in the course of his excellent pamphlet "Paying for the War" (Oxford Pamphlets on

World Affairs Series, No. 25), says as follows, after examining in detail the above three methods of war finance:

> "This brief examination of the three possible ways of financing a war," he states, "shows that they are unlikely, in practice, to be alternatives. If the Government is going to spend more than half of the total income of the community, it will have to lay its hands on resources by every means open to it. We shall have to have increased taxation and large-scale borrowing, and even so it is likely that there will still be a margin of expenditure that will have to be financed by inflation. But perhaps the foregoing discussion does suggest that there should be a rough order of preference—we should first concentrate on raising taxation to the highest supportable level on rich and poor alike. We should then see what can be done by rationing to increase the genuine savings that can be borrowed. And only when we have exhausted these deliberate and scientifically planned devices should we turn to the haphazard, incalculable and inequitable method of inflation."

How the Different Methods have been Applied.

Having thus explained the general principles of war finance, I shall turn my attention to the important question as to how they have been adopted in practice in Great Britain and India. As I have already pointed out, the present scale of war expenditure has risen in the former country to the limit of £ 5,000 million a year. How has this colossal expenditure been managed? Inflation has been so far avoided, though what is in store for the future in this connection one cannot prognosticate with any degree of certainty or accuracy. The war has been financed mainly through increased taxation and borrowings from out of the genuine savings of the people. I advisedly use the word "mainly", because one cannot be certain whether inflation has been completely avoided. It is probable that in respect of public subscription to the war loans a portion of it may represent, not genuine savings, but the deliberate creation of bank credits for the purpose of facilitating subscription. This process means, in other words, the adoption of a mild

type of indirect inflation, which, in theory, is the same as the well-known inflationary process of Government finding the sum needed for war by merely printing more notes and pushing them into circulation.

How Britain is meeting its War Expenditure

How to find £5,000 million a year? The national income of Great Britain in the years immediately preceding the war amounted to £6,000 million a year. It has been computed that during the war period this has increased to £7,000 million; and it may even be more. Out of this amount, the nation must be prepared to spare for the war nearly two-thirds, retaining for current consumption only one-third. This is indeed a very hard contingency; but it has to be boldly faced in the interests of satisfactory war finance. Of the amount required, it has been computed that it is possible to raise £2,000 million by taxation. The budget estimates for the current year provide for a revenue of £1,600 million, and I think there is still available a margin of £400 million, which can be covered by this method. In that case, a sum of £3,000 million would be left to be met through public borrowing. During 1940-41, Great Britain was able to borrow £1,600 million, on a voluntary basis almost entirely from out of the genuine savings of the people. By reducing consumption, it is possible to increase this amount to £2,000 million. A further gap of £1,000 million is now left finally to be covered. In order to secure this amount, Mr. J. M. Keynes has been advocating a scheme of compulsory saving and lending from the commencement of the war. Largely at his suggestion, a modified variety of his scheme has been incorporated in the budget for the current year. It is anticipated that, under this scheme, a sum of £300 million would be secured. By a more rigorous and extended application of the principle, I calculate that it may be ultimately possible to secure £500 million by this method. After all the above sources of finance have been fully exploited, there would appear to be still a gap of £500 million to be covered. The question whether it is possible to secure this amount through the adoption of further taxation measures and/or by stimulating

still further the forces of saving and lending must be fully investigated. If it is not possible to do so, then recourse will have to be reluctantly had to inflation. This amount, therefore, represents the maximum proportion of war expenditure that may have to be met through the adoption of this unwelcome method.

How India is meeting Its War Expenditure

India's war expenditure, though great considered from its own financial standards, is a mere trifle as compared with the colossal expenditure of England. Total expenditure has risen up to Rs. 126 crores a year as compared with the peace-time level of Rs. 85 crores. This increase has been met partly from increased taxation and partly from borrowing. Some of the main items of fresh taxation have been as follows: Excess Profits Tax, first 50 per cent. and then 66-2|3 per cent; surcharge on Income-tax, first 25 per cent. and then 33-1|3 per cent; increases in railway fares and freight; increase in Sugar Excise Duty by one rupee; and certain other taxes of a miscellaneous character. It has been computed that these taxation measures yield in a year about Rs. 25 to Rs. 30 crores. From the commencement of the war up to the present time, borrowings have been effected through the several Defence loans to the tune of Rs. 70 crores.

In the event of the war continuing over a fairly long period —experts think it will—India will be faced with still more increasing expenditure. The question then arises whether the taxable capacity of the country has been reached or whether there is still a margin left for further taxation. I think there may be a margin still left, but the yield from this source may not be much—commensurate with our requirements. But the more important question to be considered in this connection is not whether there is still such a margin, but whether further measures of taxation will not be harmful to the war economy of the country. Considered in this light, the reasonable conclusion will be that further increases in war expenditure must be mainly met through borrowing. On account of certain circumstances connected with the war, India has come to occupy a unique pivotal position regarding the manufacture and supply of war materials. Resulting from

such a large-scale supply, the country may be expected to possess a large amount of surplus funds awaiting investment. And these funds—the genuine savings of the people—can be utilised for financing the war through the method of defence borrowings.

So far as India is concerned, inflation as a method of war finance can be ruled entirely out of question, for obvious reasons, though inflationary tendencies may be set in motion at any time in the future due mainly to non-monetary causes.

ENVIRONMENT AND LEADERSHIP IN THE CO-OPERATIVE MOVEMENT

By

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Professor C. R. Fay in the course of a review of Prof. J. P. Niyogi's *Co-operative Movement in Bengal* observes: "Find Raiffeisen" said Nicholson to India, when perhaps he should have said "Find Malthus!"

Early Expectations and Achievements.

What did Sir Frederick Nicholson mean when he concluded his famous *Report on Land and Agricultural Banks* with the statement that his report might be summed up in two words: "Find Raiffeisen"? He had elaborated the point a little earlier: "What is really wanted is the advent of men of zeal, enthusiasm, devotion and perseverance, who will take up the western ideas and methods and by personal labour solve the difficulties of the problem not on paper but in actual practice. The philanthropic reformers of the east must sit down in the villages as did their prototypes of the west and must there establish the petty societies which, as in Europe, shall contain the germ and promise of infinite potentialities. There can be no higher honour for any man than to achieve the role of the Schulze-Delitzch or Raiffeisen of India, and the possibility of filling that role is within the power of hundreds of men in this Presidency".

The Board of Revenue in Madras who were asked in 1896 to report on Nicholson's proposals condemned them outright. They accepted the need to "find Raiffeisen" if co-operative credit was to be tried at all; but they despaired of finding the number of Raiffeisens that might be needed, if the scheme was to be tried on any considerable scale. The Board went further and stated, in

spite of "the entire absence of any papers or any record of previous discussion" on the subject, that the problem of rural credit in Madras was not acute, that the creation of a large number of village credit societies was not a matter of proved necessity or urgency. They had no doubt as to the result if such societies were introduced. "The peasants of South India will start on a race for insolvency, just as their brethren in Europe have done". Students of co-operation know how very incorrect the latter part of the statement is, and H. Wolff has explained in his *Co-operation in India* why this inference was drawn from Nicholson's report.

Co-operative credit societies were organised in Madras and the rest of India in spite of such adverse opinions. The early history of the movement was considered by the Government of Madras to be "full of promise". "The movement continued to develop with remarkable rapidity. It is increasingly evident that the inhabitants of this Presidency have to a large extent realised its possibilities and are quite able to take advantage of them". Even the Board of Revenue in their review of the Registrar's report in 1911 testified "to the easy educability of the people to co-operative matters" judged by the management of societies. They found in the entire absence of irrecoverable arrears and the rarity of suits "clear indications of the general stability of co-operative societies" and of the care taken by officials in registering them. The Registrar observed in the course of his report for 1911-12 that "the movement about which, before it was actually introduced, many competent critics conceived nothing but dismal forebodings, has more than justified itself and has shown that in many of our villages there is material for intelligent management of credit and thrift". He was not unaware of abuses that had crept in here and there, but he was sure that the miscreants would be brought to book by the very nature of the Raiffeisen system. This, however, was a miscalculation, as the Registrar and the Government who supported him realised later on. Increase in the number of societies registered without an increase in the inspecting staff was indeed criticised by the Board of Revenue. But the Government defended the Registrar and

said that the true remedy lay in "promoting a spirit of enquiry and vigilance and fostering the growth of the unofficial agency of (supervising) unions." The Registrar complained in the very next year that the sudden influx of societies and of members brought into full play the traditional evil of unpunctuality and said, "The co-operative battle has to be waged not against the usury of the lender as against the unpunctuality of the borrower", for which he wanted more staff. The Government would not approve of this as 'no reform can be real or permanent unless it comes from within' and raised the question "whether we have not been going too fast by giving the people a food which they are as yet too backward to digest". They wanted really to reduce official supervision to a minimum. "It will be a fatal day for co-operation when the society is looked upon as a Government concern".

With increasing failure, particularly with the mounting overdues in societies, more emphasis was laid on the education of the members of primary societies; but little was actually accomplished. The old note of optimism gradually ceased to appear in the annual reviews of Government as well as in the reports of Registrars. One striking feature, however, of all administration reports, especially up to 1930, was the handsome tribute paid to the services of honorary workers and to the sympathetic attitude of the general public towards the co-operative movement. Some of the official acknowledgements of help rendered by non-official leaders might appear extravagant in these days of vigorous criticism of co-operative leadership.

Social Environment

Dr. Fay, in the course of the review referred to above, lays more emphasis on the economic and social environment and concludes that co-operation could have little chance of success among a population with little 'economic and cultural stability,' as the Moslems of East Bengal were in his view. He states "Co-operation is not in its organised form the reply of a frontier economy to the problems of existence. The countries of northern Europe, from which so large a part of our inspiration came, are none of them afflicted by excess of population". He then poses some funda-

mental questions for consideration by economists as well as co-operators: "Has Co-operation done anything more (and anything worse) then to bring into the lime-light of public policy the sad necessities of Indian rural life? Could any country in the world at such a standard of life and with such a rate of increase have evolved a sound and self-dependent movement?" Dr. Fay, however, would be less than just if he included all economists in the country in the following indictment: "Indians often seem to wish to have it both ways, limitless increase of numbers and a steady approximation to western standards on western lines." It is in this context that he asks co-operators to 'find Malthus'.

This looks like an over-simplified diagnosis of the ills that afflict co-operation in Bengal or the rest of India. But Dr. Fay has, more than any other writer, drawn attention to the need for the study of other factors besides leadership which throw light on the success or failure of co-operative organisation such as: political and social institutions of the people concerned, the natural resources—particularly the extent and nature of the land available for agriculturists, and the produce they can raise and process and sell in a local or distant market. The degree of importance that must be assigned to any one factor is hard to decide without a close economic analysis, that neither the work-a-day administrator nor the propagandist co-operator has the time or inclination to take up. A preliminary economic investigation of the scope for an enterprise would often be more fruitful than a post-mortem enquiry of failure, which committees do.

Physical Environment.

Let us illustrate the dominant part played by physical and other factors in the working of certain types of co-operative societies in this province—the failure of which critics are prone to ascribe to bad leadership, official or non-official. Agricultural co-operation in general and the co-operative supply of agricultural requirements in particular have initial handicaps and later difficulties to encounter due to the physical environment of

the Madras Presidency with its varied landscape, wide range of climate and multiplicity of soils, unlike for instance the Indo-Gangetic plain with its wide expanse of alluvial loam, more or less homogeneous. It is this heterogeneity in natural resources that accounts for variety in crops raised and several varieties in one and the same crop. This is perhaps an advantage in a self-sufficing age, but not in an age of standardisation in production and trade. The work of the Department of Agriculture is impeded by the demand for a variety of types of ploughs, etc., to suit different physical conditions. Likewise, co-operative supply of agricultural requirements like machines, manures and seeds is difficult to organise, because of the small quantities required of different kinds in each area.

Again, in modern marketing, co-operative as well as competitive, the aim is to get a large volume of produce of a few well-recognised standards, so as to facilitate selling by sample or by mere quotation, obviating the need for personal inspection every time a transaction is to take place. For instance, among the difficulties in the marketing of cotton in India, J. A. Todd, a great authority on cotton, reckons the enormous area over which the cotton belt is spread, the scattered regions of cotton cultivation and the growth of different varieties of cotton in one region—all of which contrast unfavourably with conditions in the United States, where the success of large scale cotton co-operatives has been most spectacular compared with the snail's pace of progress of our sale societies.

This physical diversity, with its consequences, is not only a hindrance to orderly marketing, but it tends to produce, as in England, an individualistic attitude of mind on the part of the farmer, which is inimical to co-operation. In fact, the more successful farmers are prone to be more individualistic because of the confidence born of their ability to adapt themselves to new and powerful environment.

The consolidation of holdings by co-operative methods is not much of a success outside the Indo-Gangetic valley for the simple reason that elsewhere there is a diversity in soils and

water-resources—though the situation everywhere in India is aggravated by the law of equal inheritance. It is not as though it is not possible to divide land in any village in the plains of South India into three or four blocks of arable land and restrip the fields and allot to each a compact holding in one block. A reform of this kind is essential for any improvement in farming practice, even if villagers will not agree to more rational schemes of co-operative farming, as has been inaugurated in a Bengal district by an enthusiastic Collector. Even if there were a better realisation by the ryots of the need for consolidation, it would throw a heavier strain on the organizers to accomplish the work in the face of physical obstacles in this province. Perhaps it would be necessary to resort to the semi-compulsory method of consolidation, which is the method followed in Europe and is now tried in the Central Provinces with greater success than the co-operative method of the Punjab. But what is surprising to us is that the Board of Revenue and other authorities in Madras hold the view, without any close enquiry over a wide area, that the problem of fragmentation is not acute in this province. More intensive enquiries are needed on the subject and the problem cannot be argued out of existence. Even in the Punjab "no one knew to what fantastic lengths fragmentation had gone until an enquiry was made."

As long, however, as the law of inheritance remains what it is and other avenues of employment are not opened up, there is a danger that any method of consolidation may in the long run turn out to be futile. This raises the big issue of the pressure of population on the soil, to which Dr. Fay has drawn pointed attention.

Industrial Environment.

In every country where agriculture has been held in high esteem and co-operative methods have been successfully adopted for a variety of purposes, there has been a shrinkage in the proportion of population pursuing agriculture and an increase in the industrial population. Agriculture itself has been more and more industrialised and commercialised. The co-operatives

in most of these countries led the way in the adoption of scientific methods of agriculture. People began to feel the necessity, not merely suitability, of co-operative methods of organisation in the production and sale of agricultural specialities, like butter, cheese, eggs, bacon, fruits and vegetables—for which the market was expanding, particularly in the industrial regions at home and, even more, abroad. The competition of cereal crops more cheaply produced in America and other new countries forced many of the farmers in western Europe to take to the production of these specialities, for which co-operative methods were eminently fitted.

COMPREHENSIVE AGRICULTURAL POLICY.

Alongside of these developments, and often prior to co-operative organisation, important tenurial reforms were effected, which resulted in the break-up of big estates, feudal in character, and the creation of a large number of peasant proprietors. This was adopted as part of State policy in agriculture long before the last war in some countries in Europe; it gained enormous support at the close of the war and almost every country outside Russia effected similar reform in land tenure. Meanwhile the evils arising from fragmentation and subdivision, the natural sequel to equal inheritance according to the Code Napoleon, were checked by law. Permissive legislation was enacted for consolidation of fragmented holdings; the subdivision of holdings was not permitted below a limit dictated by local ideas of an economic holding. This is the atmosphere in which agricultural co-operation developed in northern Europe. Co-operation was everywhere hailed as the necessary complement to peasant proprietorship.

We find little evidence in this province of any such agricultural policy, which aims at getting long-standing tillers of the soil holdings of their own. Even in the ryotwari areas, where co-operative credit has been comparatively better developed than in permanently settled estates, the ryots are not all cultivating their lands or even managing them. The actual cultivation is done by tenants-at-will; and sometimes an intermediary tenant to

supervise the cultivation and to take risks is found. Even he has no security of tenure, outside Malabar where the *kanam* tenure prevails. This is not a state of affairs conducive to the adoption of scientific improvements in agriculture or the trial of co-operative organization for credit, production or sale. No conscious attempt is made to link agricultural production with any scheme of industrial expansion. On the other hand, deliberate attempts are sometimes made to separate town and country, industry and agriculture and create a distrust between the two. Even where the nature of a commodity might be expected to lead to a policy of integration between the two, as in the sugar industry, everything is allowed to drift and adjust itself to the inexorable law of supply and demand. We look in vain for a consistent, comprehensive or long-range policy in the development of agriculture, industry or co-operation—though Sir Horace Plunkett said that "Co-operation in India is not so much a movement as a governmental policy."

LEAD BY THE STATE.

In India the State no doubt took the lead in organising credit and certain other types of co-operation. But the steps taken were palliative rather than radical and did not look for any transformation of the economic order. No attempt was made to organise the production of high-grade specialities for a distant market, for which co-operation would be a necessity. There was in some official circles a lamentable lack of faith in new methods of agriculture. Clearance of old debts was for long the main aim of village societies and little more than lip service was done to the idea of increasing the earning capacity of members by supplying the requirements of a better agriculture. Long-term credit has been for the last ten years confined to the clearance of prior debts, though legislative provision has been made for the grant of loans for permanent improvement. Neither the State nor land mortgage authorities have formulated any scheme of land improvement or equipment, which will add to the agricultural wealth of the country and the repaying capacity of members. Nor is long-term credit linked

to any programme of helping tenants or labourers to become peasant proprietors. The idea of the elimination of the landlord or the moneylender is not easy for administrators to preach. Much less could they indulge in the vision of a co-operative commonwealth aimed at securing the control of agriculture or industry in the hands of workers or consumers.

Even as regards ameliorative measures there have been changes not only in procedure but in policy towards particular types of co-operation, generally synchronising with changes in administration. As regards Raiffeisen societies, Registrars have differed on the purpose and duration of loans, the security for loans and the tacking on of other purposes to credit, and latterly on the area of operations and basis of liability. More radical have been the differences in view as regards the utility or futility of rural stores. As for marketing, the earlier policy was to favour the sale through societies of only commercial crops meant for a distant or export market, while for the cereals which had local markets only loans were to be granted so as to help members hold the produce in the societies' godowns until prices improved. Such discrimination does not seem to find favour now and all loan and sale societies are sought to be made pucca marketing societies. It is not fair to expect continuity or consistency of policy with such changes in official personnel and such ups and downs in market conditions. But societies do suffer to some extent on account of changes in policy. Not merely subordinate staff but a number of non-official co-operators take the cue from the attitude of Departmental heads.

HONORARY WORKERS AND LEADERS.

For over twenty-five years the help rendered by honorary workers had been handsomely recognised by the Registrars in their annual reports and elsewhere. Since the Depression began there has been a tendency to underestimate the part played by honorary workers of various grades and to underline the foibles of a few. No leader of any eminence has been charged with hav-

ing committed any fraudulent acts, though there have been complaints that Panchayatdars have done so. The gravest charge so far cited against some leaders is that of nepotism, i.e., of providing jobs for their sons or other near relatives in institutions which they manage. This has been banned altogether by a recent rule. While it is surely reprehensible to find fat berths for incompetent near relations there is nothing wrong in, and there is much to be said for, the practice, common in Europe, of encouraging recruits for co-operative service from among the relations of managing committee members and employees of the institutions if only for the co-operative atmosphere and early training. The present rule is too drastic and unless liberally interpreted may work more harm than good.

Another charge equally emphasised is that some co-operators take too much interest in politics and do not keep it separate from co-operation. There is nothing wrong in co-operators being politicians so long as either they or their party do nothing detrimental to co-operative interests. Co-operators in Europe do lay down political programmes and political parties favour co-operation as a method of fighting class war or improving the economic order peacefully. Political neutrality was no doubt one of the tenets of the Rochdale system, but there has been no strict observance of it even in Great Britain, where there is an intimate connection between the co-operators and the Labour Party. Before this war in several European countries, not only in Russia, consumers' co-operatives were frankly Socialistic, and were voting funds for party purposes. Agricultural co-operatives which were not actively opposed to the totalitarian regimes, in fact welcomed and worked some of the restrictive measures, were branded as Fascist.

It is an old charge that the movement is in the hands of urban leaders ignorant of rural conditions, that these amateur outsiders have really little real interest in rural welfare and are there to serve their own selfish ends. This charge used to be made of labour leaders as well. But it is only natural that, in the initial stages at any rate, any class of people who have been for

long kept ignorant should find leadership outside their ranks. That was the case in Europe. Raiffeisen, Luzzatti, Father Finlay and many others were urban leaders. Sir Horace Plunkett said: "Neither the thought nor the influence which can set in motion what in agricultural countries is no less than an economic revolution are to be found in the open country." It is, however, necessary that every effort should be made to rouse the rural folk to a sense of the importance of co-operation and other liberal movements for their welfare by a scheme of adult education on the model of the Folk Schools of Denmark.

There is a danger, on the other hand, already noticed in credit and trading societies, in inviting or permitting money-lenders and merchants to serve on the boards of management because of their superior knowledge and experience of business. Such knowledge is not willingly imparted to others, while it is liable to be misused to the detriment of the society, when it grows. It is up to the leaders and workers in the movement to learn as much of the mysteries of business as possible without succumbing to the temptation to practice all the arts of business.

A very recent tendency, among officials and some non-officials too, is to gibe at what are called 'professional co-operators,' even as it was the fashion in the past to gibe at professional politicians and labour leaders. Every movement in the pioneer days can command the services of well-to-do voluntary leaders. But a steady stream of unpaid workers with ample leisure cannot be expected after the first flush of enthusiasm, which any movement inspires, is over. With the growing volume and complexity of business in co-operative institutions it must be possible to find the means of regular remuneration for hard work done in the cause in any capacity.

This does not rule out the idea of a select band of Servants of Co-operation dedicated to the cause, fully trained for service, and paid a fixed allowance even as the Servants of India Society

is organised. This is a scheme already contemplated by the All-India Co-operative Institutes' Association.

Last but not least, the Co-operative Movement provides to the clergy of the country, to whatever denomination they may belong, a splendid opportunity for service to the poor rural and urban folk. The most outstanding instance of such service is afforded by the magnificent work done by the Catholic Clergy of Belgium for the *Boerenbond Belge*. If what is wanted for leadership is the possession of "a comprehensive knowledge of affairs, imagination and understanding sympathy with, and philosophic insight into the entire life of communities," who else than the educated missionary can better fulfil the role of a co-operative leader ?

COTTAGE INDUSTRIES AND CO-OPERATION

By

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The question has often been asked whether in these days of big business it is worth while to prop up the small producer against the mill and the factory. A study of the present position of small industries leads to the conclusion that they form an organic part of the economic structure of each country. It is well to indicate at the outset the relation of cottage industries to the large scale industries and the relatively small scale industries. It is now generally recognised that there need not be any fundamental conflict of interest between large scale industries as such and cottage industries. There are many commodities for the production of which cottage industries are specially suited, such as gold and silver ware, lacquered ware, embroidery, cane work of various kinds, sandalwood and ivory carving, production of many fancy articles from fibre and a number of art crafts. The cottage workers who are engaged in the production of these commodities have no quarrel with large scale industries. There are some cottage industries, which not only do not compete with large scale industries but are dependent on the existence of the former, as tape-making, bobbin making, calico printing on mill cloth etc. There are also a number of services which have followed in the wake of large scale services, particularly those of repairs, which give whole time employment to a number of cottage workers. It is also possible to combine large scale methods of manufacture with some cottage processes such as e.g., factory made splints and veneers accompanied by match making as a cottage industry as is done in our province. It is in the textile industry that there is sharp competition between the products of cottage industries and those of large scale industries.

The relation between the cottage industries and small scale industries is partly one of competition and partly one of co-operation. In regard to hand-weaving small power-looms are already appearing as a serious competitor and the same competition is to be found in regard to other kinds of production. Factory-made tiles, factory-made coir, iron furniture, factory-made soaps, mill-pressed oil, mill-husked rice etc., are superseding cottage products. This is inevitable in view of the fact that many of these small power industries have the quality of superior efficiency and the additional advantage of employing a larger number of persons per unit of output than the large scale industries. Further the number of cottage industrial workers affected by competition of small scale industries is not large if we exclude the textile industry, which has to be treated as a special case.

The main difficulties of the cottage workers are those relating to raw materials, finance, technique of production and marketing. In the case of raw materials, considerable difficulty has been experienced in obtaining adequate supplies in the case of a number of cottage industries. The artisans have to pay a comparatively high price for the raw materials. This is particularly the case with the price paid for cotton yarn by the handloom weaver. Further the materials obtained by the artisans are not always of reliable quality. Thus in the case of dyed yarn the weaver is often deceived and gets supplies of yarn dyed with loose colours that fade quickly, thereby earning a bad name for the handloom weavers' products. A co-operative organization can surely secure guaranteed yarn for the weavers. In the case of woollen yarn the poor quality of the raw work leads to a preference for the foreign article and the poor quality of the local work is followed by a natural fall in demand. Lack of finish and smart appearance also accounts for the decline in demand for the products of handicrafts. The carpets woven and the *Kamblis* produced in some of the wool weaving centres are so coarse and rough that they would not find an urban market; but when the indigenous *Kamblis* are put through a finishing process, they get

a brightness of appearance, which is comparable to that of Italian rugs that used to be imported in such large quantities in recent years.

As regards the introduction of implements and technique, the chief difficulty is not so much the conservatism of the artisan, as is commonly supposed, but his utter lack of financial resources. Above all, there is the marketing difficulty. There are at present two main methods of marketing of the artisan's products. The artisan himself hawks his own products or stocks them in his house or shop and waits for the customer to come to him. This is usually found in the case of commodities, which are comparatively of little value and which have a local market, such as baskets, mats, shoes etc. The other method is for the artisan to sell to a dealer, who in most cases happens to be one to whom the artisan is under some kind of financial obligation. This is found in the case of more easily portable and comparatively more valuable products of handicrafts, such as handloom-woven cloth of various kinds.

In many countries small industries owe their success to the influence of the co-operative principle. The small size and scattered nature of these industries do not justify the hope that big financiers will ever be sufficiently interested in their development; but these very features lend themselves admirably to co-operative treatment. In India the weaving industry forms the most representative of India's numerous cottage industries. Co-operative credit societies have been started among small urban artisans working in communities. The funds so far advanced for these societies are mainly used for the purchase of raw material and implements or for financing the sale of finished products. The scope of their beneficence has been hitherto restricted by under-capitalisation and ineffective bye-laws. It is therefore clear that a more widespread organization based on the co-operative principle will solve the problem connected with the further development of cottage industries.

Before any such movement can be fully organised, in the first place the ground must usually have been prepared by the

educative influence of co-operative credit, which is the simplest and most readily accepted form of co-operation in this country. In the next place, the central banks look with considerable doubt on societies of a new type, and particularly on industrial societies. Again in many cases, especially those which require some degree of technical skill or knowledge or need a more widespread organisation than a single credit society, it is better to work through co-operative bodies founded *ad hoc* than to entangle ordinary primary societies in responsibility for work which is not sufficiently understood by many of their members. Where the products of an industry find ready sale at a more or less fixed price, co-operative societies for credit or purchase are not difficult to work; but the advantages of a co-operative sale in such cases are not very great. But where the market depends on a casual purchase or is a fluctuating or seasonal one, most of the workers are so largely in the hands of money-lenders that it is not easy to help them unless an organisation can be set on foot large enough from the beginning to finance stocks and arrange sales. Success is more likely to be achieved with readily marketable articles. Urban artisans who work individually such as smiths, carpenters, metal and leather workers do not readily combine in co-operative organisation with unlimited liability and the opinion has been expressed that the most hopeful method of helping men of this sort might be through urban banks of the Schultze-Delitsch type which though their aims are co-operative, do not work on the principle of unlimited liability and lend to individuals on the security of others' names.

A vigorous programme of education is the first condition for the improvement of the material conditions of workers seconded by a system for training the children of the artisan in his vocation in properly equipped schools. There is no likelihood of cottage industries becoming extinct; but improvement in the condition of the workers is not possible unless better tools and plant are employed. Further the tastes of the consumers are not closely studied; the arts of advertisement have yet to be cultivated. The public or semi-public bodies are trying to popularise

home industries by means of museums and exhibitions. The swadeshi stores which are now springing up in different parts of the country may absorb and distribute the home-made articles to some extent. But these things do not go far enough. The money available for cottage industries should be devoted by the Government very largely to improving the conditions of the skilled hereditary artisans, whose cottage industries are an integral part of the economy of the Province.

The organisation of cottage industries on co-operative lines was not attempted till the Co-operative Societies Act of 1912 was passed. The Act of 1912 provided for non-credit as well credit societies for artisans. The first cottage industries to be organised on co-operative lines were the weavers' societies in some important weaving centres in the Province. The Report of the Committee on Co-operation in Madras (1939-40) in dealing with weavers' societies draws attention to the question of production and marketing. It is said that the primary production societies should be re-organized on a sounder basis, in the case of handloom industry. As regards the problem of financing the handloom industry, the Committee have outlined a scheme based on the idea that the Central Banks should not merely be the lender of money but live centres of co-operative activity in the districts. But the experience gained so far in the working of Central Banks does not seem to be quite favourable. As regards cottage industries, it is argued that co-operative societies could be usefully organised not only to help in improving the production but also in organising the export trade in it by proper organisation of marketing. To secure these ends, the Committee propose the establishment of a separate Provincial Industrial Co-operative Society whose function would be to organize and administer primary production societies to be established for cottage industries, study the market for each class of product, and organize selling agencies of various kinds so as to ensure the disposal of the goods.

THE REPATRIATION OF THE INDIAN STERLING DEBT

By

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The momentous agreement between the Government of India and the British Government in February last to repatriate the whole of the Indian terminable sterling debt of the order of £90 million has had very favourable effects on the financial and credit position of India.

The scheme involves the repayment to the British creditors of their loans in sterling and their substitution by internal rupee obligations. It is a reduction of our external debt, not a curtailment of our total debt as such. In a way this scheme is a conversion as low-priced loans replace high-priced ones.

This policy of reducing our external debt is by no means a novelty. Indian opinion has always resented this 'financial stranglehold' and the demand for the progressive reduction of our foreign obligations has taken various forms: 'the acquisition of Indian railways from foreign bond-holders, stoppage of further issues of loans for the Government of India in London and the replacement at every suitable opportunity of the Government's sterling loans by rupee loans.'[1] Nor is repatriation special to India, for action on this line has already been taken by the Dominions of Canada and South Africa.[2]

The desirability to repatriate our external debt has been constantly before the Reserve Bank and the Government of India; and a beginning in this direction was made in 1937.[3] In

1. *Indian Finance* 15 February 1941,
2. *The Economist*, 15th February 1941, p. 218.
3. Reserve Bank Report on Currency and Finance for the year 1939-40, p. 19

1937-38 about Rs. 4 crores was liquidated of which roughly 2·87 crores was terminable debt and just over a crore was non-terminable debt. In their place was created the 3 per cent and 3½ per cent rupee paper. Then came a temporary lull in the liquidation of debt due to a slackening in the remittance programme of the Government of India.

With the outbreak of the war the scheme was reopened when the holders of the non-terminable sterling stocks were given the option to hold rupee counterparts, which were then created for the purpose.

Fresh ground was broken for the further liquidation of our sterling debt when on 22 February, 1940 the Government of India widened the scope of repatriation by including the redemption of terminable loans. Accordingly in 1939-40 about £9 million was redeemed against a corresponding rupee debt of Rs. 12·45 crores. In the first half of 1940 about £24 million was repatriated and a corresponding rupee debt of Rs. 32 crores was created.[4]

There has been no spectacular liquidation of our sterling debt after June, 1940; presumably, the Reserve Bank might not have been able to make any considerable acquisition owing to the high price of Indian loans in the London Money Market. The scheme announced in February 1941 is the largest debt redemption deal in the financial annals of this country.

In the repatriation that has taken place since the announcement in February last, actual payments came to £70 million, of which about £59 million was reduced under the United Kingdom Vesting Order and about £11 million under the Indian Vesting Order.[5] The balance is probably held by investors residing outside United Kingdom and British India, and therefore, does not come within the purview of the respective Vesting Orders. The exact amounts repatriated cannot be known from

4. Sir J. B. Taylor in his address to the Reserve Bank of India in August 1940.

5. *Indian Information Series*, 15th June 1941, p. 352.

the Reserve Bank returns, the discrepancy arising out of fresh balances accruing in the interval. The Government of India have to find rupee finance of about Rs. 88 crores in round figures. Of this for the time being roughly half has been paid for by the issue of rupee counterparts to the Reserve Bank and from Government's balances with the aid of temporary ways and means advances from the Bank which are being gradually liquidated.[6]

The repatriation of our sterling debt was made practicable, thanks to, what the *Economist* calls, 'the inordinate accumulation' of sterling balances in the Issue and Banking Departments of the Reserve Bank of India since the outbreak of the war owing to several factors. In the first place due to the increase in the value of our exports and a drastic reduction of imports, there has been a sustained improvement in the country's balance of trade which is illustrated by the purchase of sterling by the Reserve Bank of India. While the Bank purchased £25·5 million from April 1932 to March 1939 the purchase was £72·6 million from April 1939 to March 1940. As a result of this the ordinary sterling requirements of the Government of India dwindled from £38 million in 1938-39 to £10½ million in 1939-40. This financial year our ordinary sterling requirements will be about a million pounds while next year we expect a refund of £26 million![7]

Other factors also contributed to this growth of our sterling balances. The Government of India has been making war purchases in India on behalf of the British Government, the price for the same being paid by the British Government in pounds sterling to India's account in London.

At the same time the balances of the Banking Deparment held abroad have risen from Rs. 17 crores on 5 July 1940 to Rs. 67·18 crores on 7 February 1941. The sterling securities in

6. *Indian Information Series* 15 June 1941, p. 352.
7. Budget Statement, 1941-42.

the Issue Department have increased from Rs. 59·5 crores in September 1939 to the climax of Rs. 140·50 crores on 7 February 1941. This process of accumulation continued to place large amounts at the disposal of the Government of India to effect the redemption of our foreign debt.

In the existing circumstances the use of these huge sterling balances to repatriate a large part of our sterling obligations seems to be the most reasonable policy to adopt. The ordinary methods of payment which are obtainable in peace time cannot easily be had in time of war. The simplest way of payment is to export gold which England could not do as almost all her gold is with America. Nor would one prefer England to pay India in silver, when India has been relieving herself of her superfluous silver. The value of net imports of silver into India and Burma declined from Rs. 1·51 crores in 1937-38 to Rs. 55 lakhs in 1938-39.[8] Nor is it very clear whether England would have asked India far a loan. Keeping these vast sterling balances 'in pickle' as it were would have released inflationary forces in this country with all their destructive effects on our economic life. In the circumstances, therefore, the Government of India could not have made a more judicious use of these assets than to wipe out a good slice of our foreign debt. The choice was wise and the results are truly beneficial to India.

It is interesting to know how it has been possible for the Government of India to bring about this unprecedented financial deal. The six dated loans (£90 million in the aggregate) were to be paid out of the sterling reserves built up by the Reserve Bank. But for the essential elasticity which the Government of India gave to the Reserve Bank Act (1934) by its ordinance, this deal would not have been possible. The Reserve Bank of India Act (1934) lays down a certain proportion for the holding of gold coin and bullion or sterling securities and the Government of India (rupee) securities. The maximum amount of

8. Reserve Bank report on Currency and Finance for the year 1938-39, p. 13, para 24.

rupee securities that could be held under section 33 of the Act is fixed at Rs. 50 crores or in special circumstances with the previous permission of the Government of India an additional sum of Rs. 10 crores. It was realized that with the total amount of Rs. 49·61 crores since December 1940 in the Issue Department of the Bank there was little scope for further expansion in the holding which would have necessitated creation of additional rupee securities in the place of the retiring sterling securities. Accordingly the Government of India so amended provisions 2 and 3 of secion 33 of the Act as to remove the limitation in the maximum amount of Government securities which the Bank can hold in its Issue Department subject of course to the existing proviso that sterling securities should not be less than ⅖ of the total assets of the Issue Department. According to the Finance Member this change in the composition of the reserves of the Bank will not materially alter the situation, as even after the reduction in sterling securities in the Issue Department they would still be over Rs. 80 crores—almost the sterling holdings during the last full pre-war year.[9] A perusal of the Reserve Bank returns subsequent to the transaction would show that Sir Jeremy was right. The Government of India find it unnecessary to alter the limits of the Government securities in the Banking Department.

Several objections have been brought forward against the repatriation. It has been said, for instance, that the anxiety of the British Government to turn its short-term debt into long-term obligations and its persistent look-out for sterling to buy war materials from America probably influenced the policy of the Government of this country. Be this as it might, the repatriation scheme means some clear advantages to Britain also. The British Government stands to gain because the prices of the retiring loans were worked up to high levels by the open market operations of the Reserve Bank, the redemption prices being higher still. One interesting consequence of this deal wil be to reduce the non-official competition for such short-term assets as

9. Budget Statement, 1941-42.

treasurey bills in the London money market.[10] It will also go a long way to maintain the value of the British Government securities. This liquidation is also likely to create increased demand for other issues of the British Government such as corporation stocks and railway and similar debentures.

But the fact that Britain stands to gain by this transaction does not minimise the importance of it to India. It heralds the liberation of India from external financial obligations.[11] In the words of Sir Jeremy there is a substantial reduction in interest charges and an immediate gain to revenue. Sterling assets which hitherto earned a low rate of interest in the short-term market are being utilised to liquidate long-term obligations involving a higher rate of interest. Hereafter we shall be paying £3 million less by way of interest on our sterling debt. For Sir Jeremy this means a reduction of 50 per cent in interest charges over the last six years.[12] This will give a quietus to the so-called 'drain' theory.

Further, India's credit as a borrower is bound to improve in the London and New York money markets. Given that rapid industralisation of the country is essential to achieve the long advocated balanced economy and that Indian capital is yet to give up its proverbial shyness we shall still have to borrow from countries like America and England, and the improved credit will go a considerable way in determining favourable interest rates.

This deal will also curtail the sterling remittance programme and thus free India from financial embarrassments and to that extent lessen their adverse influence on her currency and exchange. It will also diminish the strain upon the ultimate cash reserves of the country.

10. *The Economist*, 15 February 1941, p. 219.
11. The Finance Member's broadcast on the 1941-42 Budget on 28 February 1941.
12. Budget statement, 1941-42.

Another important consequence of this scheme would be the development of a gilt-edged market in India. The phenomenal success of our war loans indicates every prospect of this. Besides, in the existing political conditions, Indian securities seem to be the best securities. It is probable that some of the investors in England have taken up rupee securities.

The present policy of repatriation provides a healthy contrast to the experiences of the last war when our vast resources were 'squandered' in the purchase of 'useless' silver for Indian currency with 'the concomitant ruinously costly adventures in the region of currency and exchange.' The memory of the Reverse Councils and a fabulously high exchange rate of the last war and post-war years is still green to students of Indian currency and exchange. The loss on Reverse Councils for the year 1920-21 alone amounted to Rs. 23·5 crores, over and above the loss involved in the ordinary Government remittances of that year.[13] It is gratifying to see that a similar tragedy has not been enacted this time.

Thanks to this deal, the Indian Exchequer stands to gain a part of the profits earned by the Reserve Bank. The year ending 30 June 1941 has been a record year for the Reserve Bank.[14] The Government's share of the profits is Rs. 2·6 crores as opposed to Rs. 20·54 lakhs in the half year ending 30 June 1940 and Rs. 5 lakhs in the year ending December 1939. The recurring profits are mainly due to the high level of sterling securities, a sudden increase in rupee securities, and the increased activities of the public debt departments.

The Indian Exchequer will also benefit because while Income Tax is not payable in respect of interest on sterling securities,[15] it is payable in respect of interest accruing from rupee securities.

13. Report on financial obligations between Great Britain and India 1931, Vol. I, P. 45.

14. Vide Reserve Bank Report ending 30th June 1941.

15. Hansard for 3 April 1941 speaks of the imposition for the first time of Income Tax by the Government of India on interest due to holders in the United Kingdom of certain Indian Port Trust Loans.

The obvious advantages of such a large scale redemption of our external debt has not prevented some sections from 'looking askance' at it. It is feared that repatriation might release 'inflationary forces' with all their aftermath of trouble and difficulties. But this could be remedied. As a distinguished economist has pointed out 'if the Government would ultimately replace its present IOUs deposited in the Reserve Bank in exchange for the sterling bonds by actual rupee debts taken up by the public of this country there would be no inflation'.

It has also been suggested by critics that it would have been to our greater advantage had this deal taken effect in last August or September when the prices of the loans concerned had been comparatively low and that liquidation now involves a substantial premium. A rise in price by nearly five points since January 1940 means a loss of £6 million.[16] It is one thing to say, however, that there is a loss and quite another to say that the British bond-holders are responsible for it. It was not so much their unwillingness to part with their stocks as the continued purchase of sterling by the Reserve Bank in the face of 'the persistent protest of Indian public opinion' that gave the upward curve to their prices.

It has been observed that while in some of the self-governing Dominions such large foreign assets have been 'linked up in a comprehensive war industrial programme the Government of India has been pursuing a different policy notwithstanding the industrial needs of the country'.[17] While the Dominions of Canada and South Africa voluntarily liquidated their foreign debt India has been facing compulsory schemes. Rather to the surprise of the London money market the Australian Government has decided to offer renewal from 2 to 3 years to bondholders of 3 per cent stock 1939-41.[18] This is the more sur-

16. *Indian Finance*, 15 February 1941, p. 280.
17. *Financial Times*, August 1940, p. 83.
18. *Empire Review*, May 1941, p. 237.

prising as we are told that Australia's sterling balances have increased from £29·13 million at the end of January, 1939 to £66·5 million on 31st December, 1941.

An important question which naturally arises and one on which there is a considerable divergence of opinion in whether in view of our favourable debt position we could not have utilised better this rare opportunity in adding to the 'industrial equipment' of the country instead of paying off the debt. *Prima facie* this seems very plausible because 'while the great bulk of the debt in other countries is unproductive only about 20 per cent of India's public debt can be placed in that category.'[19] Indeed as Professor Dubey rightly observes 'no important country in the world can boast of a stronger financial position as regards its public debt and the corresponding assets.'[20] But figures are not *per se* indicative of a country's prosperity or otherwise. Taking due cognizance of our low standard of living and meagre national income the retirement of our foreign debt was all the more necessary and justified. Nor is it quite clear, under the present disturbed political conditions whether we would have been able to import machinery for our industrial needs from a country like America when she herself is virtually in the war. The certainty of the benefits consequent on repatriation outweigh the probable advantages of the alternative.

The question of the influence of this deal on the currency and exchange of this country is a theme for independent discussion. It has been feared, among other things, that the change in the composition and nature of the securities of the Reserve Bank might adversely affect our currency and exchange. At the very outset it must be said that repatriation is not likely to have any 'adverse influence' on our currency and exchange. Even if 'the backing for the note be the note itself' it all depends on how the currency policy is manipulated, not on the backing as such. The

19. *Growth of Federal Finance in India* by P. J. Thomas, p, 434.
20. *Indian Public Debt* by D. L. Dubey, p. 23.

'classic conceptions of currency' are out of date to-day. The sterling since the abandonment of the gold standard in September 1931 and the rupee linked to sterling are outstanding examples of managed paper currency. 'The success and popularity of the present note issue in India is sufficient to give a quietus to those apprehending revolutions in the region of currency and exchange.' The Reserve Bank and the Government of India should watch developments in India and elsewhere and adopt suitable and timely measures as circumstances warrant in the best interest of the country and its people.

With the liquidation of a good slice of her sterling debt, India enters on a new financial career. This means a partial financial autonomy in future. Every attempt should be made to liquidate the remainder of our foreign debt which is a modest £185 million. A Bastable might still say that public debt is neither good nor bad in itself. But when a country is in a position to pay off her debt, she must. Granting that the war will continue for sometime to come, India would be in a position to acquire fresh sterling balances with which to clear off the remainder of her sterling debt. But repatriation *per se* is not all. 'How far it would be to the ultimate advantage of India would depend upon her ability to develop her own capital resources.' Unquestionably the present position and future prospects of our foreign debt compares very favourably with that of other countries. No doubt in the last war we wasted our resources on useless adventures. But as the poet would put it: "Some falls are means the happier to rise."

THE ECONOMIC ARM IN WAR

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The New Avatar.

The God of war in the days of Imperial Rome carried a short broadsword in one hand and a shield in the other. He had only two arms then. He has changed with the times, and, in the era of the League of Nations, grew half-a-dozen arms, carrying respectively aerial weapons, land weapons, naval (surface) weapons, submarine weapons, equipment for propaganda and for economic warfare. Economic warfare since the last war has grown into an intricate and many-sided science. The story of Waterloo being won on the playing-fields is not likely to be repeated in the present or future wars. Rather would wars be won in the grimy factories, the green pastures and golden cornfields. Whoever has guns and butter, meat and grain and more of them will survive through to victory. The function of the economic arm is generally to improve the supplies of these goods at home and destroy the supplies in the enemy's hands. In many countries, the economic arm is under the care of a big and well-manned department in charge of a minister.

As the Storm-clouds Gather.

The air-arm or the land-arm strikes when war has been actually declared, but the economic arm sets to work even as the storm-cloud is only a speck at the horizon. It gets hold of, or at least plans to procure, when required, plentiful supplies of foodstuffs and war equipment. After the war of 1914-1919, there were talks of world peace and resolutions about disarmament; but the most interesting and real development in many countries was preparation for war. Key industries were deve-

loped. The dye industry was expanded, because it could be easily adapted to produce chemicals when war begins; the shipping industry was subsidised, because in war-time ships could be transformed into merchant-cruisers like the unfortunate 'Rawalpindi,' and men in the ships could be drafted into the navy. Agriculture was encouraged.

The Armament Race.

Rearming was taken up on a grand scale. In 1895, Great Britain, Germany, France, Russia, Austria and Italy spent altogether 930 million dollars for armaments. In 1937, Great Britain alone spent this sum for the same purpose; in 1940, U.S.A. alone provided for an armament expenditure of more than 15,000 million dollars! It has been a process of competitive arming, the competition being made keen by interested parties. Basil Zaharoff, an agent for the newly invented submarines, persuaded the Greek government to take one. Conveying this information to Turkey, Zaharoff persuaded that country to take a few. The new weapon in the hands of Turkey was inconvenient to Russia, and Zaharoff got an order for a fleet of submarines from Russia. The craze began in all countries for submarines. As the vessels glided into the waters from the construction-yards, fortunes flowed into the pockets of the brilliant salesman. He became Sir Basil Zaharoff, a D.C.L. of Oxford, a recipient of the Grand Cross of the Order of British Empire and the Grand Cross of the Legion of Honour. There is no doubt that shrewd salesmanship in the armament industry and the aggressive nationalism of European neighbours led to the outbreak of war.

The Commercial Stranglehold.

While competitive arming goes on, the economic arm of the farsighted nations seeks to obtain a stranglehold on others in trade. This is done by one nation becoming a big purchaser of another nation's products. Such a policy had been followed by Germany. The Balkan countries saw in Germany a very good customer, because Germany bought their wheat for £10 per ton

when it was selling for £7 in London. At the same time, Germany became also a big supplier for their markets. The following changes in the export and import trade of Germany are interesting.

	Exports to		Imports from	
	1932	1937	1932	1937
Italy ..	14%	17%	16%	23%
Turkey ..	15%	39%	25%	44%
Roumania ..	19%	27%	28%	40%
Greece ..	19%	32%	12%	30%

OTHER PHASES.

Germany had been organised on a war basis even during times of peace. Thus, by food-planning, Germany in 1936 could produce 84 per cent of the food required in the country, whereas in 1927 she was producing only 65 per cent. Further in 1936 the law of the land said that potatoes were to be pared fine, wool was to be used only in a small proportion in the manufacture of cloth; and copper, zinc, etc., were not to be used at all for buildings. In 1937, scraps of food, metal, rags, skins and bones were systematically collected and restaurant-keepers were instructed what they might use even to decorate the dishes. Thus the Economic arm, even as the war-cloud is noticed at the horizon, takes control of the resources of the country in every detail to make the best use of them in the event of the actual outbreak of war.

THE STORM OF STEEL AND FIRE.

The storm-cloud approaches wafted by international suspicions. All on a sudden there is the flash of a bayonet or the crack of a rifle and all the forces of Hell are let loose. The storm of steel and fire bursts with all the pent-up fury, and then there is no sparing of material, men, women or children. In January 1941, England was spending 16 crores of rupees per day for the conduct of war. When a bomber crashed down, Rs. 4 lakhs went west, and about a lakh when a fighter plane fought its last fight. When a 15" shell burst, Rs. 14,000 disappeared in smoke and

splinters. The last war cost Great Britain £12,390 millions. With that money in 1880 perhaps one could have bought up all United States! Between 1914 and 1919, the fighting nations spent £80,000 millions for war. With this sum, every family in those countries, U.S.A., England, France, Russia, Italy, and Germany, could have obtained 5 acres of land, a house worth Rs. 6500, furniture worth Rs. 2500, with lakhs left over for schools, libraries and museums in all the big towns! This is the great waste of war. War is a bad business proposition. Unfortunately, it does not seem as if this waste can be avoided or even reduced. "War is the court of appeal of nations," said Mussolini. It was again he who said that "War is as natural to men as childbirth is to women." War after war has required more and more funds.

Shillings for the show.

In order to meet the enormously increased cost of the war, most of the belligerents to-day have raised very high the existing taxes. In England, for example, taxes on incomes, beer, cigarettes, luxuries in general and entertainments have all been raised. The Englishman with an income £20,000 now pays in taxes over £18,000 to the government. Besides raising the existing taxes, new taxes have been introduced. The new Excess Profit duty in England demands 100 per cent of what is calculated as excess profits. There is also a Purchase tax to be paid on the occasion of the purchase of almost anything. Loans of various descriptions are also floated: War Bonds, Victory Bonds, National Savings Certificates and so on. To enable the people to subscribe to these, there is a country-wide drive to persuade the people to save. There are other devices to transfer the savings to the government; benefit entertainments, exhibition games, raffles, lucky dips, formal dinners and informal dances. Fancy sales are held, and well-known treasures are auctioned. Flag days, weapons weeks, refugee funds, gold and silver trinket fund—all things are started to send the hat round for a war contribution.

Control of Foreign Exchanges.

Along with this a system of control over foreign exchange is also established. Funds for preventing unfavourable fluctuations in foreign exchanges are strengthened. Thus, in England, £280 millions which were held against note-issue were transfered to the Exchange Equalisation Fund. Private remittances abroad are controlled by means of a Central Exchange Office. People have to report the value and nature of foreign holdings which they have. In this war, as a writer has observed, while spectacular battles are fought on the sea and in the air, another grim and fateful battle is being fought in the City and Whitehall. It is the Battle of the Dollar which is essential for England to secure to make the vital purchases of war material from U.S.A. Everything has been done to prevent the money in the country from flowing abroad. Steps have been taken to bring any capital invested abroad back to the home country. Every care is taken also to canalise the flow of all combined resources in the required direction. During this war the economic arm has closed round the banks and currency completely, intact in a revolutionary manner.

Guns and Butter from Abroad.

Money cannot directly win a war. It has to be utilised to obtain the equipment for war, the weapons for the fight and food and other needs for the fighters. Goering offered guns or butter to the people of Germany. But to the extent that human beings are still required to carry on the fight, it remains true that the army fights on its stomach, and, as an experienced general remarked, the best of strategy begins with food. Thus 'guns *or* butter' might not win wars; it would have to be both 'guns *and* butter.' These would have to be produced at home, and, if the country cannot be self-sufficient, the materials would have to be obtained from abroad. Few countries are self-sufficient to-day in respect of food supply. Thus of national food requirements. Great Britain produces 25 per cent., Germany 83 per cent., France 83 per cent., U.S.A. 91 per cent., Japan 95 per cent.,

British India 100 per cent., U.S.S.R. 101 per cent., Canada 192 per cent., and Argentine 264 per cent. As for materials required for the manufacture of war equipment, the following table proves the myth of self-sufficiency.

NATIONAL SELF-SUFFICIENCY IN ESSENTIAL INDUSTRIAL RAW MATERIALS

(Expressed in percentages of Domestic production and net imports to consumption.)

Group I	Coal	Iron	Petrol	Copper	Lead	Nitrate	Sulph. & Pyrites	Cotton	Alumin.	Zinc
U.S.A. ..	100*	100	100	100	100	70	100*	100*	55	100
Germany ..	100	26	5	10	27	100*	25	nil	2	nil
Great Britain ..	100*	70	2	nil	7	100*	25	nil	2	nil
France ..	70	100*	2	nil	7	65	10	nil	100*	2
Russia ..	100	100	100*	60	27	40	95	90	25	55
Italy ..	2	75	nil	2	75	85	100*	nil	90	*100
Japan ..	100	65	20	95	5	70	100	5	nil	25

Group II	Rubber	Manganese	Nickel	Chromite	Tungstein	Wool	Potash	Phosphates	Antimony	Tin
U.S.A. ..	nil	7	2	nil	25	60	27	100	nil	nil
Germany ..	nil	nil	nil	nil	nil	7	100*	8	nil	nil
Great Britain ..	nil	nil	nil	nil	2	20	nil	28	nil	5
France ..	nil	nil	nil	nil	nil	5	100*	50	50	nil
Russia ..	nil	100*	nil	100*	nil	80	100	90	nil	nil
Italy ..	nil	20	nil	nil	nil	25	25	nil	52	nil
Japan ..	nil	45	nil	100	100	nil	7	20	nil	15

It is obvious that many essential goods for every country have to come from abroad. Thus it becomes absolutely necessary to maintain the security of the trade-routes to bring in the goods required and to send out the exports which are to pay for

*Over.
Group I are the more essential goods.
The table is from Ellsworth's *International Economics*.

the imports. At the same time the enemy's trade has to be disorganised. This is blockade, an important aspect of economic warfare. Successful blockade brings the adversary to his knees for want of food to live and weapons to fight. History tells us of the use of the seige and the blockade in early times. Lysander used it against the Athenians; Scipio against Hannibal. It was used during the American Civil wars and the Napoleonic wars. All that, however, has become child's play compared to the blockade tactics employed during the last and the present wars. The German submarines sent over 7 million tons of English ships to Davy Jones locker and brought starvation to the borders of England. Britain's blockade, however, brought starvation right into Germany. In 1918, the German had only half the bread he craved for and one-twelfth the meat. It was less of everything and worse of everything. The Germans lost first their weight, then their health, courage and morale in close sequence. The revolt of German civilians in 1919 forced Germany to surrender even before the German army had been defeated. Thus, when effective blockade is choking up the sources of the enemy's supplies, it is the economic arm that paralyses the enemy to surrender. Convoying has now been carefully developed, and shipbuilding stimulated to reduce the evil effects from enemy action; and, during this war, England is applying the Navicert method to make her blockade more effective on the contraband-runner but less irritating to the innocent trader.

As the enemy's trade is disorganised by blockade tactics, the home trade is controlled by powerful committees. The Board of Import Trade Controllers carefully regulate imports, so that the need for payments abroad is reduced. Luxuries are specially restricted. On the other side, the export trade is encouraged. The Export Advisory Council is to attend to this in England. To help the council, Export groups have been formed in each of the big industries. Export boards have been established in the empire countries like Australia and Canada to send to England expeditiously all available and necessary material for the conduct of war.

MORE GUNS AND BUTTER AT HOME.

Some of the guns and butter may be obtained from abroad, but it is most necessary to speed up the production of these at home. To devise the necessary organisation, England has set up a Committee on Economic Policy. A Central Priority Department decides how the resources of the country are to be diverted. The extent and nature of these resources have been described in a very recent economic survey report prepared by the late Sir Josiah Stamp. A Production Council organises the actual production. The Ministry of Shipping is in charge of ship-construction and the allocation of cargo space in the ships. The Ministry of Supply has controllers for all raw materials and industrial resources of England. To ensure the necessary supplies of war equipment, the industrial system of the country has been thoroughly recast. The factories work at full pressure, 7 days in the week, 24 hours every day, and men, women and children from all classes of society are at work. Factories engaged in 'peace-goods' production have turned over to 'war-goods' production. Chemical factories manufacture explosives; cloth factories, instead of making delicate nothings for the society girls, are making tough uniforms for the fighting and auxiliary services; ploughshares are beaten into shell-cases. Numbers of new factories have also been started and many more planned. Orders and circulars are issued and speeches delivered, by men and women high in office and society to speed up production more and more. Their Majesties, the lords and ministers visit factories and industrial centres to inspire enthusiasm. Legislation like the Emergency Powers Defence Act is passed giving the government special powers to procure men and material to expand industries to the required degree. In short, a comprehensive powerful production drive is set on foot resulting in an enormous increase in the production of a variety of commodities.

"DIG FOR VICTORY".

The Ministry of Food is doing for foodstuffs what the Ministry of Supply is doing for industrial articles. Increased produc-

tion of various food materials has been organised. Highlands and marshes, hitherto despised by the farmers, are now assiduously cultivated. The spade and the hoe have been brought to the parks and sports grounds in the country. The tennis lawns at Wimbledon have been turned into kitchen gardens. The "Dig for Victory" campaign organised all over the land sends man and woman, adult and child, into the land anxious to extract every ounce of product from the soil. Further, every housewife is a recruit to the National Food Campaign. She seeks to strengthen the Kitchen Front by putting to the best use materials which are easily available in the country. Lecture demonstrations are arranged everywhere specially for the working class women to teach them to make the family food tasty and nutritious with native products. The experts go about on mobile platforms, lorries and cars, with blackboards, stoves, pans etc., lecturing and demonstrating. Quite an amount of literature has recently grown about war-time dishes and the feeding of the people during war-time.

"DRAW YOUR BELTS TIGHTER".

The careful use of the available provisions is contrived by the policy of rationing. Ration cards would be issued to the people, and the provision merchants are to see that no one gets more of an article than is allowed on the card. Meat, sugar, tea, butter, eggs are all rationed now in England. Epicureans and even the ordinary man in the street have had to tighten their belts a little to make less than before suffice at present. Not merely luxuries but some comforts too might be restricted. Articles of which consumption is to be restricted in England include umbrellas, fountain-pens, crockery, furs, lace, paper, silk stockings, watch-chains, perfumes and cosmetics. In Japan, even the hours of business in cafes, bars and restaurants are shortened. The Japanese Cabinet Planning Board has shortened also the hours in theatres and dance-halls; the use of umbrellas is restricted. The visit of students to tea-rooms and theatres is strictly controlled.

"LICK THE PLATTER CLEAN."

In every country, waste is discouraged of anything which may be put to any use. Waste is even forbidden by law. In England it is now a crime, in the legal definition of the word, to leave remnants of food on the plate. In the homes and hotels any morsel of food left over which cannot be consumed by human beings is carefully collected to be given to birds and beasts, which in their turn may later be eaten by the people!

RAGS TO RICHES.

As a complement to increased production, decreased and regulated consumption, a policy of salvage is applied in every possible case. Waste is not only prevented, but what would have been ordinarily wasted is reclaimed and put to some use,—sunken ships, bleaching bones or torn-up paper. Rags are turned to riches to be used for war. Almost every country has a Salvage Department. In Great Britain this department is under a minister. Investigations showed that Londoners waste about 6,00,000 tons of paper, 58,600 tons of rags and 29,000 tons of bones per year. Every scrap is now collected of almost anything, and used for the manufacture of some war material. Tons of used bus and tram tickets, ornamental boundary railings, old metal cots and housefittings are collected daily in the metropolis, and sent to the ordnance factories. Time and again the salvage ministers issue manifestos to the people to keep everything for the waste-collectors.

INDIA FOLLOWS.

In India too the 'War Economy machine' has been installed. The Economic Resources Board, Department of Supply, War Transport Board, Board of Scientific and Industrial research, Export Advisory Council are some of the special departments of the government which are handling war-work in India. An economic organisation on a war basis is now taking place in the country.

Excess Profits Duties have come as a special war levy. Excise duty on matches has been raised; postal rates have been increased. The Viceroy's War Purposes Fund has been formed on an All-India basis, and in each Province there is the Governor's War Fund. Lotteries and fetes, exhibition games and entertainments are orgainsed all over the country to collect money, and still more money, for some cause connected with war. A 'Gold and Silver Trinket Fund', which brought about 8 lakhs during the last war has been started this time also.

Foreign exchange transactions are completely controlled. People have to report their foreign holdings to the government, and in some cases, had to sell them to the government. All exchange transactions are centralised and purchases and sales of foreign currencies can be made only through the Reserve Bank. Amounts which may be taken out of India by travellers are strictly limited.

Foreign trade is also subject to control. India requires urgently supplies of machines to expand war-production. On the other hand, she has to discover new markets for commodities no longer demanded on the continent of Europe. One remembers in this connection the Meek-Gregory mission to America.

Production has been speeded up in various industries to meet the new and increased demands. Arms and ammunition factories are working at full pressure. The manufacture of ordnance stores has spurted tremendously. The existing factories not being able to handle the work, new factories are being started. Wherever possible, factories engaged in peace production have been transferred to war production. They now make camp-cloth where they made carpets, camouflage nets instead of tennis nets, electric sirens instead of fans, splints and crutches instead of cricket bats and hockey sticks. For many commodities, electricals, furniture, boots and shoes, foodstuffs, timber, lubricating oils, chemicals and so on, big war contracts have been placed with Indian firms. And yet Sir Jeremy Raisman pointed out in the course of his budget speech that "India's war production activities are only beginning and no Indian would

be satisfied till they are enormously increased." To expand the industries sufficiently the requisite skill and capital have to be found. "The Bevin Scheme" seeks to increase the number of highly qualified technical men to work in the factories. While under this scheme a selected few are given training in England, thousands of technicians are being trained in India, and by the National Service Ordinance the government have secured the right to take skilled men from any workshop or factory to help war production. Industrial banks, state loans to industries, state purchase of shares in businesses, investment of part of the Excess Profit Duty yield in industries have been tried in several countries with different degree of success to increase industrial capital. It might be examined how far any of these measures would be suitable for India. When the resources of India are fully utilised, surely the economic arm of the British empire will be enormously strengthened.

This is fundamental and necessary, for there is now no doubt at all about the enormous significance of the economic arm in modern warfare. The action of this arm may not be so quick or spectacular as dive-bombing; perhaps it takes hold only slowly and unobtrusively, but the grip is sure, remorseless, and spreads paralysis and demoralisation among the enemies compelling them to curl up their battle-flags and pray for peace.

THE CO-OPERATIVE WAY IN MADRAS

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Man's life in all its aspects has tended to become increasingly organized. More and more the satisfaction of man's desires has become a community concern. Diversification of wants has led to specialization in production, which in its turn has inevitably prepared the ground for combination and concerted action. It was the Industrial Revolution which brought into prominence what has now come to be regarded as one of the most important factors of production, viz. Organization. Indeed, such was the tremendous potency of this factor, that it easily invaded every realm of economic activity. The accumulation of capital, the mechanised factory and farm, the intensive division of labour and excessive specialization, the wage-system, the growth of combines and cartels cutting across national frontiers in a mad rush for markets which, with all its expansion, failed to keep pace with the leaping and bounding upward of production, were only some of the manifestations of this factor in action. Under the capitalist economy the sweep of organized effort had become so threatening that its apologists sought to turn the point away from it by invoking the doctrine of individualism. So successfully has this been done that capitalism has even come to be called economic individualism. The truth of the matter is that it represents an economic drive for concentration along a narrow front with capital in command. It required the shock of the Great War to reveal the catastrophic results of this hegemonic struggle in the economic

field. But the impact of this realization when it came has been so violent that it has resulted in a swing back to economic self-sufficiency. This change, however, has not in any way diminished the importance of organization as a factor in economic activity. Rather it has but emphasized its importance and increased its potency by confining it within more compact and manageable limits. Organized mechanized production meant the disappearance of men under the machine; the industrial line-up under capitalist orders has left the control of production and appropriation of the product in the hands of a few. Under both capitalist and socialist economy the individual tends to get lost in the organization.

It is impossible, therefore, to ignore the force of this factor in the economics of production and consumption. The conditions in both spheres are never for one moment quiescent. Man's desires, the means of satisfying these desires and the conditions under which these means are brought into existence and made available are daily undergoing change with surprising suddenness. It has become increasingly difficult for the individual to secure a firm foothold on the shifting boards of economic life unless he holds on to others who, like himself, are in an equally distressing position. This is the keynote of every co-operative activity. It represents an appeal to the principle of solidarity for the better satisfaction of individual desires.

How are these individual rights actually secured by the co-operative method? Under conditions of competition, the unorganized parties tend to suffer at the hands of the organized sections. In England it was the rising industrial menace of organised production which led the consumers to band themselves together as a measure of self protection. This explains the early and striking development of consumer's co-operation in England. In India the most disorganized element is the farmer. Co-operation, therefore, is needed in India, more than for anything else, to put the farmer on his feet and enable him to stand on competitive terms with other organized factors. Under the self-sufficing type of economy the farmer had no

problems except those of production to face. The farm and the family integrated production and consumption into a self-contained system. With the growth of commercial farming, however, the price factor stepped in and divided the field into opposing camps of producers and consumers with a stretch of no-man's land in between peopled by middlemen who successfully exploited both. The farmer thus stood to lose at both ends—as a producer with goods to sell and as a consumer of other people's goods. The precarious nature of his calling is vividly apparent during periods of economic depression. What Henry C. Taylor calls the "intergroup exchange" works definitely against him. He has to give more and get less; if there is a drop in prices, the drop is more in the case of agricultural products as compared with industrial goods; if there is a rise in prices the rise is comparatively less in the case of farm products. The elastic nature of his occupation, the lack of combination among farmers, and the general ignorance of the demand factor leave the farmer helpless during periods of fluctuating prices. In the intergroup conflict, therefore, the farmer's interests always suffer; "the prices of the things farmers buy remain relatively high, whereas the prices of farm products fall to low levels." The development of a business sense, a better correlation of supply to demand so as to ensure a fair price for the farmer is therefore the primary aim of agricultural co-operation.

A study of the recent developments in the co-operative field in this Presidency reveals the working of this idea in the minds of those responsible for its progress. The last three years have witnessed a great burst of co-operative activity in this Presidency along all fronts. The number of agricultural credit societies rose from 10,520 in 1937-38 to 11,191 in 1939-40, non-agricultural credit societies from 1,070 to 1,168: while the milk supply unions, sale societies and stores registered a rise from 4 to 20, 122 to 149 and 73 to 237 respectively. Qualitative improvement has followed quantitative expansion. The working capital of all types of societies has shown a definite increase during 1939-40, while the percentage of over-dues shows an appreciable fall. The value

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of the goods sold during 1939-40 by the more important types of "non-credit" societies has also been definitely on the increase.

This progress in all directions is ascribed in the Administration Report of the Department to circumstances, partly historical and partly fortuitous. No doubt, the passing of the Agriculturists' Relief Act and the consequent contraction of credit in rural areas from private sources, the opportunity which Prohibition provided for co-operative development, the rise in the prices of agricultural commodities soon after the outbreak of the War (prices of food grains in the first half-year ending December '39 rising from 3 to 20 per cent, and those of commercial crops standing at 30 to 80 per cent higher in December '39 as compared to prices in the previous December), account in part for the increase in transactions and general progress of the movement. But however much the external factors may be favourable, a movement cannot make progress unless it secures the driving energy of courageous leadership. An analysis of the development in the last two years brings to one the welcome conviction that the movement is in the hands of a capable departmental head working with conscious intent towards a definite objective. It does not represent a haphazard progress along a straggling frontier, but an orderly march along well-conceived lines to a definite goal.

The basic idea is to sterilise the ill-effects of price fluctuations by co-ordinated effort on the producers' and consumers' fronts. Co-operation does not seek to control prices; it seeks only to escape the tyranny of prices. With this end in view, it sets about organising the producer and the consumer, so as to establish a better relationship between the two. The more organised supply and demand become, the better the chance for the securing of a fair price. Inter-trading between producers and consumers organised in co-operative societies afford the best protection to both against price changes. The increased activity of the sale societies in the last two years, the growth in the number of consumers' stores, and the attempts made to bring about a better appreciation of each other's needs by co-ordinated effort, reveals the working of this central idea. Federations of pro-

ducers societies reaching out their hands along a steadily narrowing gulf to federations of consumers societies is the goal aimed at. Organised supply meets the needs of organised demand on a bias of equality.

Taking the first aspect into consideration, organised production and orderly marketing are what is implied by regulated supply. Efficiency of production is sought to be achieved by a better assemblage of the factors of production under co-operative aegis. The system of "controlled credit," viewed from this standpoint, represents an attempt on co-operative lines to integrate capital and labour to the advantage of both. The scheme is now in operation in all districts except Nellore, Nilgiris and Chingleput. Production, finance and sale are thus recognized as parts of one comprehensive economic activity to organise supply. Marketing societies have come to recognise in production the starting point of their activity. Thus, where credit societies are not functioning, the sale society does not hesitate even to finance cultivation, while the quality of the farm product is sought to be raised and the loyalty of the farmer ensured by the distribution of agricultural requisites like manure and seed. The Nilgiris Co-operative Marketing Society Ltd., for instance, distributes over 6000 bags of manure to the potato cultivators on the hills every year. Another attempt to improve the yield and ensure uniform high quality of produce is the seed multiplication scheme. This has been worked out successfully in Coimbatore cotton area, where the improved cotton has increased the income of the ryots by about Rs. 15 per acre. It is now extended to Madura through the District Marketing Society, and is proposed to be put into operation in Salem and the Ceded districts.

Orderly marketing implies the proper time and place of distribution of the product. These entail a closer watch at every step in the marketing process—collection, storage, transport and sale —so as to ensure economy, eliminate waste and secure the highest return to effort. A proper and effective co-ordination of marketing functions has by no means been achieved. The smallness of the production unit, the still diversified nature of production, the conservatism of the ryot himself, his indebted-

ness to middlemen agencies, lack of business ability and managerial capacity and unwillingness for combined action are some of the serious obstacles to be overcome. A bewildering multiplicity of weights and measures, a complicated land tenure system, absence of facilities for proper storage and transport, and the unorganised nature of the demand itself further aggravate the difficulties of marketing. Agriculture is an uncertain industry dependent on variable natural factors and the doubtful capacity of an unbusiness like human factor. The organisation, therefore, which is formed to cater to its needs must be supple and mobile, and not merely strong. This is applicable to both the financial and sale organisations. The financing agency may be strong and yet be futile, unless it combines suppleness with solvency and allies itself closely with the credit and sale societies in a policy of vigorous expansion. Experience in Salem, Madura and other places has shown the striking results which could be achieved by such a combined action. Sales societies have also to adopt the elastic methods of business needed to meet the requirements of a vagarious industry. Farmer's organisations will never be able to oust the middlemen unless they are prepared to assume the risks of trade borne by the middlemen. To this end, tentative efforts are made to effect outright purchase by a few good sale societies. Chief among them are the Maipad Co-operative Sale Society, the Krishnagiri Sale Society, the South Kanara Agricultural Wholesale Society and the Tanjore Marketing Federation recently organised for the sale of rice produced in the Cauvery delta. This may appear to be fraught with grave risk, but no marketing organisation will be able to function effectively and fulfil its purpose unless it acquires command over a sufficient volume of produce. Sale of separate small lots of individual ryots on commission basis at times and on terms permitted by them can never be a source of strength to the marketing society or gain to the member. Pooling, grading and standardisation, sale on the basis of forward contract, ability to bargain and bide for better market, all become an impossibility under such a system. A cautious policy of purchase may, therefore, be adopted by sale societies of esta-

blished reputation, financial strength and business knowledge. Such sale societies may also with advantage adopt the binding authority of a membership contract, more or less on the lines of the contracts entered into by the members of American Marketing Societies, to retain the loyalty and enforce the obligations of members to the society and to each other. As Davisson states "A day may come, and it has come in Denmark, when farmers will be tied to their co-operative organisations by instinct and their heart-strings." But that day has not come now in India, and until it comes "what could tie the polyglot rural mass like the sanctions behind a general contract for specific performance, winning the moral approbation of the membership, yet having at its command a singularly sound set of legal teeth?"

All these necessitate the organisation of big co-operative bodies capable of undertaking large business. A perception of this no doubt lies behind the attempts that are now being made to create central and federated agencies for the marketing of agricultural produce organised on territorial or commodity basis. Organisations, like the District Marketing Societies, and the Rice Marketing Federation at Tanjore and provincial societies like the Provincial Handloom Weavers Society and Provincial Marketing Society are all attempts in this direction. The provincial societies are not merely a clearing house for the goods, but also a clearing house of information on marketing problems and a focal point of the producer's interests. When these become sufficiently well organised and well set, the producer will be able to meet the consumer on a basis of equality.

The co-operative supply of fluid milk is again one of the problems tackled with earnestness in recent years. The number of milk supply societies has increased from 39 in 1937-38 to 88 in 1939-40 and of milk supply unions from 4 to 15. (The number of unions has since, we believe, increased to 20). The Department has recognised the importance of the supply of pure milk, from the point of view of the producer as well as the consumer; the main drive for the formation of these societies, much as they are needed by the consumers, has not come from

them, but from the department. Proper breeding and feeding of milch cattle have not received the attention they deserve in this country. Sale of milk, as of other articles, must again be organised from the point of production, and the provision of cattle food, breeding bulls, and the maintenance of dry cattle will have to be undertaken by the milk supply societies. Production and transport are the two main problems in the supply of milk. These again can be done only by large-scale organisations like the Madras Milk Supply Union, and that, no doubt, is the reason why the formation of unions is urged. Milk supply societies are producers' organisation but, as pointed out in the Departmental report, the supply of pure milk is as much a consumer's concern. The identity of interest of the producer and the consumer is here also apparent.

Next to agriculture, weaving is the single large industry in the south. Considerable attention is, therefore, bestowed on the development of weavers' societies, which increased from 132 in 1937-38 to 191 in 39-40. The organization and conduct of weavers societies, their proper and adequate finance, and the sale of hand-loom products present a most tricky problem. The Provincial Hand-loom Society, formed in 1935, has been devoting serious attention to these questions and its activities embrace the whole gamut of production, from the purchase of raw materials to the sale of the product. Consumers' organisations are taking interest in hand-loom products and sales are effected through consumer's stores as well as other sale societies. The Triplicane Urban Co-operative Society is placing large orders with Weavers' Societies for regular supply of hand-loom cloth.

Organization of supply has necessitated the organization of demand. The number of consumers' stores has increased from 73 in 1937-38 to 237 in 1939-40, accounting for a sale of goods to the value of about 35·6 lakhs of rupees. On the demand side also a pyramidal organization is gradually built up by means of linking up the primaries into a wholesale. Such a consumers' Wholesale is now working in Madura, Tinnevelly and Coimbatore. The outbreak of war and the consequent rise in prices

gave an impetus to the formation of these stores. But it is also part of a deliberate attempt to extend the benefit of joint purchase to the rural parts. If farming is to be encouraged as a business in this country, not merely should his sale be organised, but also the farmer's purchase. He must be able to get not merely good cash for his goods, but also good value for his cash. Moreover, the peasant is as much a victim of mal-nutrition as the industrial worker and is, therefore, in need of protection against adultered and shoddy foodstuffs as much as his city brother. Rural consumers' stores cannot, therefore, be ruled out as an unnecessary institution. Nor is it so impracticable as it is made out. The small purchases made by villagers from the outside market may not warrant the establishment of a separate independent store for each village. But a Central Wholesale can place at the disposal of the rural store the advantages of large purchase and better bargaining strength. This affords the only means of bringing the advantages of wholesale purchase to the door of the ryot. The sharp rise in the prices of necessaries consequent on the outbreak of war, therefore, only provided a favourable opportunity to launch the new scheme. If run on proper lines with sufficient caution and business acumen, there is no reason why they will not be able to find sustenance in their own strength.

These pyramidal organisations on the supply and demand side have made possible the establishment of direct contacts between the producer and the consumer. The Tanjore Marketing Federation, for instance, is negotiating with the Consumers' Wholesales in Madura and Coimbatore for the sale of paddy. The attempts to establish community of interest between the Provincial Marketing Society and the Triplicane Urban Co-operative Society have not been, however, attended with success. A few conferences between the two organizations have been held in recent times, but unfortunately no results have followed. One gets a feeling that the disagreement to inter-co-operative trade will disappear only when the producers' organization attains anything like equal in strength to the premier consumer's organization.

These then are the trends of the Co-operative movement in this Presidency. Behind these is visible the gradual evolution of a logical plan of action. Slowly, patiently a mammoth organisation is taking shape on the side of the producer and on the side of the consumer, and the two are gradually awakening to a consciousness of their identity of interest. No doubt the pattern is not complete. Loose ends are sticking out in many places. But a definite philosophic scheme is noticeable among the several threads of action initiated in the last two or three years. This philosophy consists of a definite recognition of the fact that "the peculiar service which co-operation can do to economic life in general, and to its own constituents in particular, is to place the relations of consumers and producers on an organised basis, and thence approach to a solution of the just price."

That such is the philosophy of action which animates the Registrar is apparent by the following statement in his report: "At present the movement is an aggregate of pieces rather than a whole of coherent parts. Consumer's and producer's co-operation have not yet achieved a dovetailed structure. Various unconcerted efforts are being made in different places—But I have a vision of an integrated whole of many parts so designed, that all through the economic life of the province the principle of working together for mutual benefit may exercise its wholesome influence."

INDUSTRIAL DISPUTES IN INDIA: 1921-39

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The power of the strike as an economic weapon came to be recognised by Indian workers only during the years immediately after the Great War of 1914-18. Though strikes had occurred sporadically on the railways and other branches of industry before this period, they were unorganised due to the lack of public support and union among the workers. The chief causes for this apathy are attributed to the migratory character, illiteracy and heterogeneous nature of the labour population drawn from different rural parts and different communities, with less scope for social attachments. The end of the Great War brought together several new factors which stimulated the organisation of workers. Social workers and politicians in the contrary, conversant with the labour movements in the different countries of Europe, began to take interest in improving the lot of the workers of this country. The organisation of the International Labour Office gave some stimulus to this new movement. The work of the organisation of Trade Unions began to gather momentum from year to year; and educative propaganda was carried on among the workers in the different industrial centres. The nationalist press evinced greater interest by prominently publishing the news and supporting the cause of the workers. Apart from these external influences, the huge profits made by the industrialists during the post-war boom period, and the rising cost of living brought about by a sharp rise in commodity prices during that period, associated with the scarcity of labour arising from the expansion of industry and the high mortality in the influenza epidemic,—all prompted the workers to demand an increase in

their wages. In the early years i.e., 1919 and 1920, most of the strikes resulted in success for the workers, as the industrialists were making huge profits and were prepared to give a small part to the workers, to avoid any interruption in production. But these successes in their wake raised false hopes, among the workers, of the strike as an unfailing panacea for their demands; and during the period of retrocession of the trade cycle, the successful strikes went down to very low proportions, to the disappointment of the workers and their leaders.

In this paper it is proposed to make a statistical analysis of the industrial disputes in British India in the period 1921-1939, for which data are available from the publications of the Government of India. This analysis refers to (1) the general character of the strikes, namely, their number, extent and duration with an investigation of the seasonal variation if any, (2) the causes and (3) the results of these strikes.

General Character of Strikes.

The period 1921-1939 can be sub-divided into 3 shorter periods: (i) comprising the years 1921 to 1928 when great unrest prevailed among industrial labourers, and the Government took very little interest in these matters; (ii) 1929-1936, when the Royal Commission on Labour was appointed to investigate the labour problems and action was taken on their report by the Governments of different provinces and by the Central Government; and (iii) 1937-1939, when 'Labour' came under the control of the popular ministries in the Provinces. The following table gives the total number of disputes according to the industries affected as well as the different important provinces, in the above three periods.

TABLE I-A

Number of Disputes

Industries.

Industries	1921-28	1929-36	1937-39	Total
Cotton and Wollen ..	730	561	386	1,677
Jute ..	203	95	169	467
Engineering Workshops ..	85	35	80	200
Railways (including workshops) ..	74	34	6	114
Mines ..	31	11	20	62
Others ..	475	423	523	1,421
Total ..	1,598	1,159	1,184	3,941

TABLE I-B.

Number of Disputes

Regions.

Provinces	1921-28	1929-36	1937-39	Total
Bengal ..	547	253	480	1,280
Bombay ..	751	522	288	1,561
Madras ..	94	113	146	353
U. P. ..	54	41	63	158
C. P. ..	28	42	40	110
Others	124	188	167	479
All India ..	1,598	1,159	1,184	3,941

From table I-A we find that the number of disputes in 1929-36 was considerably less than those in 1921-28, and this is reflected in all sections except the group 'Others', where the reduction is

very small. In comparing the first two periods with the third we have to remember that the length of the last is only 3 years compared with 8 years in the other two. We find that during this period, the number of disputes in all sections except cotton and wool showed very great increase, and even in the latter the average number per year increased compared with the former periods. This led to a fall in the proportion of the disputes in cotton and wool from about a half of the total in the first two periods to about a third in the final; and the proportion of the miscellaneous group increased from about a third in the beginning to about half in the last period.

Turning our attention to the different regions, we find from Table I-B that while Bombay occupied the first place and Bengal the second in the first two periods, the tables were turned in the final. The other three major provinces also recorded an increasing tendency in the number of disputes. Thus while Bombay, which was formerly considered to be the chief centre of these disputes, was becoming comparatively more pacific, the labourers in the other centres were turning out to be more aggressive. The share of Bombay, in the number of disputes, came down from about a half in the first two periods to about a quarter in the final. The number of strikes in the last three years is almost equal to those of the eight years 1929-36 which was less than that in the first period of 8 years. The high share of the textile industries in the number of strikes can be explained by the fact that these were the oldest industries of the country; and a very large number of workers are employed in them and the organisation of Trade Unions is stronger among those workers. As new industries began to develop and take root in the country, similar problems of friction between workers and employers began to arise in them also. Bombay and Bengal, being the oldest and most important centres of large scale industry, naturally figure prominently in the disputes also.

The following table gives the total number of disputes, men involved and working days lost in all industries in the whole of India from 1921 to 1939.

TABLE II.

Year.	Number of disputes.	Number of men involved (in 000)	Number of days lost (in 000)
1921 ..	396	600	6,984
1922 ..	278	435	3,973
1923 ..	213	301	5,052
1924 ..	133	312	8,731
1925 ..	134	270	12,578
1926 ..	128	187	1,097
1927 ..	129	132	2,020
1928 ..	203	507	31,647
1929 ..	141	531	12,166
1930 ..	148	196	2,262
1931 ..	166	203	2,408
1932 ..	118	128	1,922
1933 ..	146	165	2,169
1934 ..	159	221	4,776
1935 ..	145	114	973
1936 ..	157	169	2,358
1937 ..	379	648	8,982
1938 ..	399	401	9,199
1939 ..	406	409	4,993

From the above table we find that from 1921 to 1927 the number of strikes showed a decreasing tendency. But in 1928 a fresh wave of industrial unrest swept throughout the country, which again came down in subsequent years. The number of disputes in this year was higher than in 1924 to 1927. The lowest number on record was in 1932; since then there is an alarming growth of disputes, particularly from 1937 to 1939. The number of men involved also shows a similar tendency except in the years 1924, 1925 and 1929, when this was very high though the number of disputes was comparatively small. This was due to an increase in the number of people involved in major strikes in those years. On the whole the average number of people per strike was higher in the twenties than in the thirties. This is mainly due to some disputes of unusual intensity and duration in the bigger industries like textiles, railways and iron and steel. In the thirties, as already pointed out, the emergence of unrest in the small miscellaneous industrial group brought down this

average. As regards the number of days lost, we find that 1928 was by far the worst year, with 1925 and 1929 following but far behind. In other years the trend is the same as that of the number of people involved.

The difference between the character of strikes in the twenties and that in the thirties can be explained by economic and administrative considerations. The strikes in twenties were chiefly due to the demand by labourers for a share in the prosperity of the earlier years, and resistance to the reduction of wages during the retrocession of the boom. Politicians and extremist labour leaders took active part in the organisation of these disputes. But the Government did not possess any administrative machinery to settle these disputes, and kept aloof from the struggles except when these disputes became violent and it became necessary to preserve Law and Order. But the appointment of the Royal Commission on Labour in 1929 and the publication of its report in 1931 stimulated legislative and administrative activity on the part of the Central and Provincial Governments. In this respect, the Government of Bombay, the nerve centre for the activities of extreme labour leaders, took the lead in passing the necessary legislation and organising its Labour Department. The complete failure of the general strikes of 1928 and 1929 unnerved the labourers and the prosecution of the extreme labour leaders in the subsequent years brought a lull in this activity. The fall in the general level of prices and in the demand for labour during the Depression period, starting with 1930, deterred the labourers from taking risks in strikes. But the rivival of prosperity in the economic conditions since the second half of this decade and the advent of popular ministries in the provinces in 1937 brought fresh hopes to the workers. This was followed by the formulation of demands for the restoration of the cut in wages made during the Depression period and for the redress of other grievances, and by resort to strikes.

We may now examine whether these strikes show any seasonal variation. As the number of days lost is of very great economic importance, the number of days lost in each month of

the 19 years are tabulated, converted into indices with the monthly average of 1920 as base. For each month the mean-median (the arithmetic mean of the central 3 years when the 19 years are arranged according to ascending order of the indices) is taken as the average for the period. Now these figures have to be corrected for the general trend. For this purpose a parabola of the second order by Prof. Fisher's method of orthagonal polynomials, is fitted to the annual figures of days lost, which are again converted into indices with 1920 as base. The equation is represented by:

$$Y=93\cdot658-2\cdot485t-0\cdot221\ (t^2-30).\quad \text{where } t=(x-1930).$$

showing that the average number of days lost in the whole period is less than those in the base year, and the annual reduction is about 2½. From a comparison of the observed and expected values, given in Table III. we find that the actual number of days lost was greater than we expected in the years 1924, 1925, 1928, 1929, 1937, 1938 and 1939.

TABLE III.

Year.	Indices of actual number of days lost	Indices of expected days lost
1921 ..	100·00	104·756
1922 ..	56·88	106·027
1923 ..	72·33	106·856
1924 ..	125·01	107·243
1925 ..	180·09	107·188
1926 ..	15·71	106·691
1927 ..	28·92	105·752
1928 ..	453·11	104·371
1929 ..	174·18	102·548
1930 ..	32·38	100·283
1931 ..	34·48	97·576
1932 ..	27·52	94·427
1933 ..	31·05	90·836
1934 ..	68·37	86·803
1935 ..	13·94	82·328
1936 ..	33·76	77·411
1937 ..	128·60	72·052
1938 ..	131·70	66·251
1939 ..	71·48	60·008

The Table IV gives the average value for each month for the period. These monthly figures are corrected for the trend and then adjusted to make the total for 12 months 1200. These details are given in Table IV below.

TABLE IV.

Month.	Mean Median	Corrected (for trend) index	Adjusted index (for 12,00)	Variation (From 100)	Prof. Madhawa's estimate* (for disputes)
Jan.	33·40	33·40	78·32	—21·68	25
Feb.	47·21	47·42	111·20	11·20	— 7
March	61·09	61·51	144·24	44·24	8
April	55·05	55·68	130·57	30·57	24
May	52·82	53·66	125·83	25·83	11
June	41·25	42·30	99·19	— 0·81	—19
July	33·86	35·12	82·36	—17·64	— 7
August	32·17	33·64	78·89	—21·11	—10
Sep.	36·09	37·77	88·57	—11·43	—31
Oct.	41·16	43·05	100·95	0·95	14
Nov.	29·48	31·58	74·06	—25·94	— 4
Dec.	34·19	36·50	85·59	—14·41	— 5

From the above table we note that there is a definite seasonal trend with a tendency for the loss due to strikes being higher than normal between February and May, and less in all other months except October. It is interesting to note that an analysis of the seasonal variation of the number of disputes by Prof. Madhawa gave similar results except for the discrepancy between January and February. But the intensities in different months are different, due to (1) the difference in the period of investigation and perhaps (2) the difference in the variables, in one case the number of strikes and in another the number of days lost.

CAUSES OF DISPUTES.

We may now turn our attention to the causes that led to these disputes which are given under the following sub-heads:—

*Vide a further analysis of Trade Unionism and Trade disputes, *Indian Journal of Economics*, 1931-32, p. 26.

(1) pay (2) bonus (3) personal (4) leave & hours (5) and others. Strictly speaking (1) and (2) can be combined, as both refer to the earnings of the workers; and strikes for Bonus were numerous only in the earlier years. The following table gives the percentage of strikes according to each of the above causes.

TABLE V.

Percentage of Disputes by causes from year to year

Year.	Pay.	Bonus.	Personal.	Leave & Hours.	Others.
1921	42·2	18·9	17·2	2·8	18·9
1922	45·7	11·5	18·0	6·8	18·0
1923	44·6	6·6	25·4	4·2	19·2
1924	39·8	5·3	24·1	3·0	27·8
1925	48·5	4·5	26·1	0·0	20·9
1926	46·9	3·1	24·2	8·6	17·2
1927	47·3	0·0	27·9	3·9	20·9
1928	53·7	0·5	21·7	3·0	21·1
1929	38·4	1·4	39·0	2·1	19·1
1930	46·6	2·7	23·0	4·7	23·0
1931	41·6	1·2	23·5	12·0	21·7
1932	57·6	2·5	26·3	1·7	11·9
1933	65·1	1·4	13·0	3·4	17·1
1934	67·3	0·6	15·1	3·8	13·2
1935	62·7	1·4	14·5	6·9	14·5
1936	61·2	0·6	15·3	3·8	19·1
1937	61·6	1·1	19·3	3·2	14·8
1938	52·4	0·8	23·0	5·3	18·5
1939	57·1	0·5	18·2	3·0	21·2

We find that the three main causes for strikes are (1) pay (2) personal and (3) others—in the order of importance. The strikes due to personal causes include sympathetic strikes, strikes for the reinstatement of some dismissed workers, strikes to observe hartals in political movements etc. The main criticism against strikes in India is that they are not supported by specific demands, and frivolous causes contribute a large part to these disputes. This criticism was to some extent true in the twenties; but from 1932 we find an increase in the percentage of strikes for pay and the percentage of strikes on personal grounds was coming down till the triennium 1937-39.

RESULTS.

The following table gives the results of the disputes according (1) to successful (2) partially successful (compromise) (3) failure.

TABLE VI.

Percentage of disputes by Results from year to year.

Year.	Successful.	Partially successful	Unsuccessful.	Still in progress
1921	23·2	22·0	53·3	1·5
1922	12·2	9·0	77·3	1·5
1923	16·0	8·9	74·6	0·5
1924	17·3	15·8	66·2	0·7
1925	12·7	20·1	66·4	0·8
1926	9·4	9·4	81·2	0·0
1927	11·6	24·8	61·2	2·4
1928	13·3	20·2	63·1	3·4
1929	22·0	19·1	56·7	1·2
1930	24·3	14·9	60·1	0·7
1931	13·9	25·3	59·6	1·2
1932	11·9	22·9	62·7	2·5
1933	13·7	15·8	66·4	4·1
1934	20·1	15·7	62·9	1·3
1935	17·2	20·0	60·0	2·8
1936	19·7	27·4	48·4	4·5
1937	13·5	30·9	52·2	3·4
1938	12·8	32·6	51·6	3·0
1939	15·5	35·5	45·6	3·4

From this table we find that throughout the whole period the percentage of successful strikes is very low, being always less than 25 per cent. and often even below 20 per cent. Till 1936, the percentage of partially successful strikes also was very low, and the share of failures was very high. This can be accounted for severally: (1) want of proper organisation and staying power among labourers, (2) the hastiness of some extremist labour leaders who advised strikes before exhausting all avenues of settlement (3) the want of sufficiently good causes for going

on strike, many being on personal grounds etc., and finally (4) the lack of support and sympathy from the Government which was not responsible to the people. But with the advent of popular Governments since 1937, the share of partially successful strikes increased reducing the percentage of the other two; because these Ministers elected by the people wanted to bring amicable settlement to gain popular support. Moreover, these Ministers were some of them labour leaders in whom the workers had confidence, and they advised caution and exploration of other avenues before taking the extreme step. But even during this period the percentage of unsuccessful strikes is very high, compared with the industrial countries of Europe.

AGRICULTURAL LABOUR AND CO-OPERATIVE ORGANISATION

By

S. Thirumalai, M.A.,

The problem of organisation of agricultural labour, a vast subject with a wide range and complexity, has received little attention at the hands of the students of Indian Economics. Unlike industrial labour, which has to a great extent advanced its claims through trade unions and secured its fundamental rights, there is complete lack of organisation among agricultural labourers who are left to the play of economic forces, which are beyond their control and which normally result in their being exploited by their employers.

Forms of Agricultural Labour in Madras.

In the census classification of 1931, for every 1000 persons engaged in the occupation of agriculture there were 429 labourers. Taking into account the growth of population in the last decade and the tendency for an increase in the landless class that is noted the proportion must really be higher at present. In Madras, as elsewhere in India, the agricultural labourers can be grouped broadly into two classes: (1) the free or the casual labourer and (2) the indentured or the contract labourer, known as the *Pannayal* or *Padiyal* in Tamil District. The casual labourers have in theory the freedom to bargain for wages, hours of work and other conveniences. But actually the power to bargain is limited or circumscribed in our rural areas by the supply of labour which is far in excess of the demand. This class of labourers includes seasonal labourers such as the sower, reaper, weeder, etc. There are again persons who own small

bits of land but yet depend for their main income on the wages earned for labour of their family. Generally they have their wages paid in cash supplemented by perquisities in kind on certain occasions.

The indentured labourers consist of the permanent labourers attached to the ryotwari Mirasidars or land-holders. This form of service is the relic of the predial form of slavery that is said to have existed in pre-British India. It is sufficient for our purpose to note that the serfdom of this class originates with a small loan of about Rs. 75 granted by the land-holder to a free labourer for his expenses of marriage and setting up a family. He is also given a small piece of land for cultivation, say 75 to 100 *kulis* (1 kuli=144 sq. ft.) exclusively for the use of himself and his family. He is paid extra wages for any additional work, besides perquisites during ceremonial occasions, and in some cases even a small sum for drink. The wages are usually paid in kind. In return the labourer binds himself to serve with his family in the farm of the creditor-landlord, until the debt is discharged. The landlord does not, as long as the borrower works, charge interest on the loan, but if the padiyal wants to go, he charges compound interest which along with the principal is beyond the repaying capacity of the poor labourer. The inevitable result is that the debt becomes a perpetual one, and is even shifted on from the father to the son, whatever be the law. If he bolts away, by general convention he cannot secure employment elsewhere unless the new master is so much in need of labour as to be prepared to purchase him with his heavy load of debt. Even in this extreme event he has had only an exchange of masters and the badge of slavery still remains. Usually if the labourer runs away the master even uses questionable methods and brings him back by force. Often inhuman treatment is meted out to these labourers in some of the interior villages. These labourers are all drawn from the scheduled classes and are alloted separate hamlets, segregated from the rest of the village with which they can have no social intercourse. On the contrary, the free labourers are recruited

from all castes and have equal access to all the common places in the village. Both the classes of labourers include women workers also. From the above account it is obvious that any scheme of organisation should be preceded by legislation to abolish the form of forced labour that is now prevalent in one form or other.

THE CO-OPERATIVE MOVEMENT AND AGRICULTURAL LABOUR.

Though the burden of debt pressed as heavily on the labourers as on ryots little attention has been paid by co-operators to the problem of agricultural labour so far. They have never thought of organising societies on a functional or occupational basis. But the early sponsors of the movement noticed the social disabilities of the scheduled classes (from which the bulk of the labour supply is drawn) and promoted separate co-operative societies for them. The study, therefore, of the influence of the co-operative movement on agricultural labour in Madras resolves itself into an account of what the movement has been able to achieve for the scheduled classes.

There were only six scheduled class societies in 1915 but the number rose to 2491 in 1938. The primary object with which the scheduled class societies were formed was to supply cheap credit to the members for the purposes of cultivation and domestic expenditure, purchase of houses and acquisition of land on lease or on assignment from the Government. Separate societies with any one of the above purposes as the definite objective were also started.

In the early stages these societies were financed by the district central banks. The Christian Co-operative Central Bank which was started in 1916 formed the central financing agency for the scheduled class societies until it was liquidated in 1939. The important function of the supervision of the societies was originally left in the hands of the Labour Department by placing the Co-operative Inspectors under the Labour Commissioner.

Later the work was transferred to the Co-operative Department itself which proved again a failure. The Inspectors were then placed in charge of the Christian Co-operative Central Bank. But the attempts were not attended with satisfactory results and the societies continued to be managed inefficiently. The overdue loans to the Christian Co-operative Central Bank and the district banks amounted to about Rs. 4 lakhs under principal and Rs. 0·5 lakhs under interest. There was in fact very little of repaying capacity among the scheduled classes due to their very meagre income and under-employment.

The societies for housing of which there are only 519, distributed chiefly in the districts of Tanjore and South Arcot, have showed little progress. The *cheris* of these people are on low grounds and the drainage and sanitation are all primitive; many houses are constructed on low mud plinths or without any plinth at all. The slow progress is due to the prohibitive cost of house sites, the appalling poverty of the depressed classes who cannot repay even the small instalment dues especially after the economic depression that set in, in 1930. The usual procedure followed in the housing societies may be noted. The Government acquired sites under the Land Acquisition Act and sold them to the society, under an agreement to receive the purchase amount in 20 instalments and with the stipulation that the site should not be alienated or disposed off. The object was that the member should become the ultimate owner of the site. 20 percent of the value of the site was paid by the members. This was converted into share capital and adjusted to the cost of the lands bought from the Government. Each member was allotted not less than 5 cents of land.

The societies for assignment of lands for cultivation purposes which number 324 are concentrated in East and West Godavari, Guntur and Kistna. They have also failed to fulfil their purpose. The experiment of joint cultivation tried in the Peravaram Agency in East Godavary district has proved to be a complete failure resulting in a loss of Rs. 1·21 lakhs.

RECOMMENDATIONS OF THE MADRAS COMMITTEE ON CO-OPERATION.

While pointing out that the formation of co-operative societies on communal or sectional basis is opposed to the basic principles of co-operation and that it is the common economic interests rather than community or caste that should be the bond the Committee conclude: "In consideration however of the special circumstances of the scheduled classes a majority of us feel the necessity for having separate co-operative societies for their benefit." But they add that the scheduled classes if they are already members of the village co-operative society can join the scheduled class society also for purposes other than credit. They have found, after examination, that the Co-operative Department has not been able to supervise these societies efficiently and hence, in their view, the officers of the Labour Department who are in close touch with them constitute the most appropriate and efficient agency for the guidance and supervision of co-operative societies among these people. Further it is recommended that the Government should come to the rescue of the societies by providing them with adequate funds, as even some of the good societies were starved of finance after the liquidation of the Christian Co-operative Central Bank. Finally they have put forth a ten year plan of economic reorganisation of the scheduled classes with the following objects: (1) agricultural colonisation; (2) provision of subsidiary occupations and introduction of suitable cottage industries; (3) grant of loans in kind; (4) establishment of pawnshops and lastly (5) propaganda and education.

The recommendations of the Committee cover practically all the objects which are necessary for organising agricultural labour on a co-operative basis. But the Committee have taken a very cautious and conservative view of the whole question when they have recommended the retention of the principle of organising societies on a sectional or sectarian basis. The old

village community under which every caste had a definite ocupation assigned to it is fast disappearing. Any attempt to foster or encourage organisations on a communal basis will have harmful results and block the healthy progress of the movement. It would maintain and accentuate the petty communal bickerings which are the common features in many of the villages. As the co-operative organisation for the labourers should not only dole out cheap loans to them but aim at the maximum economic and social welfare, separate societies on a sectional basis should be ruled out of consideration.

It may be argued that multi-purpose societies which have, of late, captured the imagination of the co-operators may well serve as a suitable agency for satisfying the needs of all the villagers irrespective of caste, creed or occupation. But the poor labourers can get little benefit from such societies if they are started with limited liability, which is recommended as the only safe course. Human nature being what it is, unless the economic basis of the society itself is changed into some collectivist form, exploitation of the labourers is bound to continue, if they are not organised in a co-operative union. This does not imply that the agricultural labourers and the landed proprietors should be marshalled into two warring camps but only that the status of the labourers should be raised so as to make collective bargaining on an equal footing possible.

Having achieved this main object the co-operative organisation should devote itself to the task of implementing the other aims. It should for instance try to secure lands for cultivation, wherever possible and if available at cheap prices. The Committee have suggested that the co-operative society for this purpose should acquire lands and occupy the position of a land owner, parcelling out pieces of land to the labourers who should attain the status of occupancy tenants. Perhaps the Committee drew their inspiration from the experiments in some of the European countries. But in any far reaching and constructive plan of our rural economy there should be no place for half-

hearted attempts. The occupation of agriculture should comprise only two classes, the cultivating land-owners and the labourers, who are indispensable for carrying on the industry. Absentee landlordism and the varied complex and oppressive problems of tenancy arising out of it are long-standing obstructions in the way of formulating a rational plan for the regeneration of our rural areas and they should be slowly but boldly scrapped. The aim of the co-operative organisation should be to help the labourers ultimately own the lands assigned to them and thus earn a stable and secure income.

INDIA'S ECONOMIC MALADY

By

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There was a general expectation some years ago that industrialisation in India would cure the wide-spread unemployment prevailing in this country; but this has been belied by the experience so far. Industrial development in India has been rather rapid in recent years, especially after 1930; we produce to-day all our sugar, cement and matches, more than 80 per cent of our cotton cloth and a large part of our iron and steel goods, paper etc. Nevertheless the total number of persons so far employed in organized industrial establishments is still only about 1½ million. In case the rest of our requirements are also manufactured in India, another half a million labourers may be required. But in India, as is well known, the number of unemployed persons runs into tens of millions and nearly every agriculturist is underemployed. Only a small fraction of these would be absorbed in industry. There is thus no indication that industrialisation by itself will cure Indian unemployment or raise the standard of living of her population. This is because the causes of Indian poverty lie much deeper. They are connected with India's defective economic and social system.

An economic system can function satisfactorily, only if it provides for an adequate production of goods, and a proper diffusion of spending power in the community. But production cannot be adequate, unless the distributive basis of the productive system is equitable, unless the productive mechanism as a whole provides for a proper distribution of spending power in the community. If such a distribution does not take place, the standard of living of the masses will remain low; there will be a paucity of demand for goods and services; therefore industry and trade will remain undeveloped, and unemployement of all kinds will result.

This is what has happened in India. As a result there has been poverty and misery among the masses in the country, and industry has to face a stone wall to-day.

The key to this whole problem is employment. Spending power must be got in lieu of labour. But employment cannot increase unless there is a growing demand for goods and services, and such demand cannot grow unless a reasonable standard of living is maintained by the people of a country. In India as things stand to-day, the standard of living of the masses is pitiably low, because they obtain very little of the spending power of the community, and because there is no adequate employment. But adequate employment cannot be had unless the demand for goods and services increases. It is a vicious circle of the most virulent type.

The following features of the Indian economic system are specially worth noting in this connection:—

(1) An inefficient productive mechanism, in which the producer is deprived of the fruits of his labour by inequitable methods of credit and marketing.

(2) An uneconomic use of the annual income which has curtailed employment and kept down the purchasing power of the masses.

(3) The consequent under-production and under-consumption.

I. Defects in the Productive System.

It is true that agriculture by itself cannot give full employment to the whole of the rural population; but had agricultural production been based on an equitable system of distribution, production would have been more efficient and employment more ample. As Malthus wrote to Ricardo in 1821: "From the want of a proper distribution of the actual produce, adequate motives are not furnished to continue production." This is quite true to-day of Indian agriculture. The tiller is usually a tenant; he hires his land from a Zamindar or other landholder on terms which, under the inexorable laws of supply and demand—limited

land area and unlimited competition between tenants who know no other occupation—involved the giving away of too large a part of his annual produce as rent. From what remains the dues to the moneylender have to be paid, not rarely at unconscionable rates of interest. The produce is usually sold at harvest time, at low prices and on terms which are generally dictated by the trader, whose hold on the tiller is strong in most parts. In the result, the tiller of the soil obtains only a precarious living from agriculture. Even normally he lives by mortgaging his future labour: the ryot mortgages the crop even before it is raised, and the labourer lives by mortgaging his future labour. This feature runs through the whole gamut of Indian economic life and this has had the most disastrous consequences. A people living from hand to mouth cannot be expected to adopt improved methods. Such a people can hardly satisfy elementary human needs and cannot be expected to have an effective demand for the goods and services required in countries where a reasonable standard of living is maintained. Consequently agriculture has been languishing, the agriculturist has been a poor consumer, the services remain undeveloped and a perennial under-employment has been possessing the country. This has obviously been to the detriment of other countries as well as India.

No doubt, employment in agriculture is largely seasonal, and subsidiary occupations are necessary to make up for it. Here again, the same vicious economic system is at fault. Even more than agriculture, cottage industries depend on middlemen for credit and marketing, and the transactions have been such that too small a share of the fruits of their labour went into the hands of the producers. Even the ingenious Dacca weavers who produced the superb muslins obtained only a pittance for their labour, and while the middlemen became wealthy the labourers remained poor. Such unfair relationship still continues between the artisans and middlemen in almost all parts of India. Even the most illiterate worker can balance the extra effort against the increase of income which it brings about. When the return is woefully inadequate, there will be no incentive to work. We may give all kinds of encouragement to manufacturers; but if

they cannot be placed on more humane social foundations they cannot but languish, as a result of rigid demand.

II. Defective use of Income.

Even where income is not equitably distributed, the economic life of society can go on fairly satisfactorily, provided the income is properly utilized. A proper utilization of income involves a balance between spending and saving. I use these two terms in a non-technical sense. Normally, income-earners will spend some part of their income on food, clothing, house-room, recreation and other essentials for a normal standard of living, and the rest will be saved: i.e. invested in banks, Government securities or the shares of companies, or directly used for production by the earners themselves. The part spent will directly go to producers of food, clothing and furniture, and to the purveyors of services, and therefore will immediately reach the pockets of labourers who will in turn use the same for similar purposes. The part saved will also ultimately reach producers (and labourers), seeing that if savings go to banks or, better still, to business concerns, they will be spent largely on labourers and will sooner or later be used for purchasing goods and services. Thus in a well-ordered economy, money will go round automatically and labourers will have employment, at least in normal times; at any rate no perennial unemployment of the type known in India will arise. This is what has been happening in most countries in Western Europe, especially the smaller ones which are not saddled with unstable external relations. The result is that normally there was employment for all; cyclical unemployment indeed there used to arise, but it passed away when times improved.

Such has not been the case in India, because the use of income in this country has been very different. On the one hand, there has not been enough spending of the proper kind; and on the other, there has been too much saving of the improper kind. Those who obtained incomes spent more of their money on gold, silver and precious stones and on other luxuries which do not

involve a benefit to the ordinary labourer, and less on clothes and furniture and music and books and the many services which give employment to labourers of all grades. Spending on jewelry or precious stones may add to the employment in a small luxury trade which employs only a few persons, but spending on clothes or books or laundry will lead to a widening range of primary and secondary employment and will set a virtuous economic spiral in operation.

While our spending narrowed the scope for employment, our saving straitened it even more severely. Saving could increase employment if the money saved would go immediately into productive enterprise. Saving in India, till lately, meant hoarding. It has almost been synonymous with buying gold or jewelry. In the result, India has absorbed an inordinate share of the world's production of gold for a long time, and while private holdings of gold are very meagre even in the most prosperous Western countries, it is fairly common in India even after the copious gold exports of the years after 1931. The thirst for precious stones has also been keen in India; where else in the world can one see such numerous and commodious shops dealing in precious stones and so avidly frequented by customers? The poor peasant and labourer invested his little savings in silver, even as the better-off persons hoarded their bigger savings in gold and precious stones. It was liquidity perference with a vengeance.

No doubt all savers in India have not been equally mad after the yellow metal; some of the wiser ones used their incomes for lending to needy persons. Lending money is a beneficial service, provided it is for productive purposes, and provided the terms are reasonable; but neither of these conditions was fulfilled by the bulk of money-lending transactions in India. Credit has been grossly misused by the agriculturist, because he did not know the proper use of it. He would never repay the debt willingly; therefore the rate of interest had to be high and land had to be mortgaged if any considerable sums were needed. But the courts helped the creditors and they never lost much. On the other hand, many of them have amassed large fortunes.

It must be admitted that even unproductive lending has helped in the circulation of purchasing power in the community. What the labouring classes should have received as wages was made over to them as loans; but as such loans cannot be repaid except in prosperous seasons, rural indebtedness became a serious problem. If a people cannot live on income already accrued, they will have to mortgage their future incomes, and this is what most people in India have been doing. Even this would not have been possible if some persons had not undertaken the risk of lending to such people.

Some benevolent persons scorned to be usurers but purchased land in the belief that it would help the community. It is true that land gave them only a meagre return on the capital invested (although it brought them social prestige), but it did little good to the community. It would have done some good, if those persons not only became proprietors but engaged themselves in cultivation, by employing the tenants as paid labourers or better still as co-sharers. But certain of the high-caste Hindus considered it *infra dig* to till the land; working with the hand was unworthy of the twice-born. No doubt some of them lent funds to their tenants ostensibly to help them, but such credit often helped the ryot as the rope supports the hanged man.

In every civilised country, the most enterprising persons engage themselves in productive activity with their own or borrowed capital, and thus the labouring classes are able to get employment. In India, on the other hand, such persons have generally fought shy of productive enterprise and confined themselves to trading and moneylending. Productive enterprises are risky and are dependent on the seasons, but trade, especially commission business, brings profit nearly always and the interest due to the moneylender goes on accumulating even while he is asleep. Especially, if 12 per cent interest, or even more, can be obtained for one's capital from a neighbour who pledges himself and his land, why should one risk one's capital by venturing into agriculture, which is full of risks, or even into industry which seldom

gives such high return on capital? These wise persons knew what their own interest was, but the national interest suffered severely by this selfish policy. The poor and ignorant cultivator and artisan were left to take all the risks of production, generally with funds borrowed at high rates of interest and they did what they could. Being unequal to the task, they have become impoverished and under their care agriculture and industry languished. Is it any wonder if under such a system the scope for employment became narrow and the standard of living was kept down to the lowest level?

There were indeed some forces counteracting such tendencies. The pious Hindu thought it his duty to give feasts on certain occasions (although the feeding was generally confined to one's castemen) and distributed alms on other occasions. After a life of accumulation, some of them built temples or established choultries. Such acts give some little relief to the perpetual tendency to concentration of income in a few hands; but they were not calculated to tone down the inequalities of distribution to any appreciable extent.

Islam exerted in some measure to counteract the vicious economic forces in operation. Its votaries did not cling to the taboos about manual labour. They saw nothing wrong in enjoying the good things of life and they generally spent more on food and clothing than their Hindu confereres in the country. Further they considered it wrong to take interest on capital and therefore most of them avoided moneylending and invested their savings in trade or agriculture. Their preference for land investment kept high the price of land in many areas. But they too did not have the experience of large scale enterprise, and capital formation to any large extent was not possible among them also, owing partly to the nature of their succession laws.

In the East India Company's days, Government's economic operations were hardly conducive to a proper circulation of purchasing power. Their public finance was largely a one-way transfer. Their 'investments' in cotton textiles were indeed a

source of employment to weavers, but their financial operations often denuded the rural parts of spending power. After 1868, British Government in India awoke to a deeper sense of obligation to the country and launched a policy of loan expenditure on railways and irrigation works. The loans had to be raised abroad, as there was little liquid capital available for investment at home. What was at first a rill became gradually a mighty river. The first investment on capital works was hardly a crore a year; but in the years just before the world economic crisis of 1929-30, the capital expenditure on the railways alone came annually to the high figure of 41 crores. The outlay on irrigation and civil works also increased. At the same time, private capitalists from Europe opened plantations and trading businesses in India. All this gave rise to a new economic life in the country. Employment increased; towns grew; banks arose; accumulation of liquid capital began. This emboldened many Indian businessmen, at any rate in Bombay, to venture out in modern industry. They first confined themselves to cotton mills. The shyness of Indian capital was gradually overcome and modern capitalism was ushered in. Subsequently, it was nourished by the protective wall raised by Government, after the world-war of 1914-18.

But such development has affected only small sections of the Indian community, and even now economic life on nearly the old lines is functioning over the greater part of India. Industrial development, although it has been rather rapid in recent times, has only touched the fringe of Indian economic life, and its effect on employment and purchasing power has not been potent. Intellectual life in the country has rapidly advanced; but the standard of life still remains low, and therefore not only the industries, but also the various services which form a large source of employment in all civilized countries remain undeveloped in India. The scope for employment in the country, therefore, remains at a low ebb. While I admit that all young men of the socalled middle classes ought not to aspire to black-coated professions, it is undeniable that many more of them could have been employed in business and in the services had the economic sys-

tem functioning in India been equitable, i.e. if the productive process had been based on better distribution and if the surplus had been properly utilized. Not only unemployment, but nearly all our economic ills can be traced to this fundamental defect.

III. The Outcome.

The cyclical unemployment in the West is also due to certain inherent defects in the present economic system. But there is a fundamental difference. While in the West the capitalist classes invested their money in productive activity and came face to face with periodical under-consumption, the wiser Indian capitalists adopted the more selfish course of not investing at all; they were perhaps wise, because they avoided the loss involved in producing goods without being able to sell them. But this course was anti-social, because by their improper use of capital, the other sections of the community have been deprived of possibilities to secure suitable employment. They avoided over-production of the kind which occurs periodically in Western countries; but a severe underproduction has resulted from the sterilization of capital. Under-consumption is, of course, the final outcome, and this is much more serious, and has come through a process far more injurious, than the under-consumption which arises in the West. Under-consumption in the West is only periodic; in India it is perennial. In the West, under-consumption does not affect necessaries; here, a large proportion of the people are unable to obtain bare necessaries, because our resources are lying untapped or ineffectively tapped. By properly exploiting those resources, consumption goods will increase and there will be fuller employment. The purchasing power of the masses in this country is severely restricted, and in the result thier consumption capacity is the lowest. If consumption does not increase in India, there is little scope for further industrial development—a fact which our industrialists will have to take into account, sooner than later.

Thus no stable economic progress is possible without curing the economic system of its inherent defects. Unemployment and

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Thus no stable economic progress is possible without curing the economic system of its inherent defects. Unemployment and

under-employment are only symptoms of the failure of this economic system . These cannot be remedied effectively without tackling this fundamental problem. No doubt this is an extremely difficult job, but it will have to be undertaken boldly, if any substantial economic advance in India is to be possible.

PLANTATION ECONOMY AND INDIAN AGRICULTURE

By

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"The Hindu", Madras.

Great as are the possibilities of modern large scale industries in India, there is no doubt that agriculture must remain, as it is, the greatest industry in the country. Yet it is the one industry which is neglected most. Its decadence set in some years ago; and the decay of the countryside and the decline of the rural classes continue to be the most distressing feature in the economic situation in India.[1]

Progressive "Ruralisation" of the Country.

Evidence of this is found all around. There has been a staggering increase in rural indebtedness, and this has found expression, not only in the plight of credit institutions like co-operative societies, but also in recent legislation calculated to reduce the burden of debt and improve the machinery of credit. The Provincial Governments have sought to reform co-operative societies, establish land mortgage banks and take similar measures to relieve the peasantry, but the net results have not been by any means striking. The depression in the agricultural industry continues and, so far as one can see, threatens to continue. The phenomenon of what has been called the progressive "ruralisation" of the country, that is, the tendency for increasingly large numbers of people figuring in the census as dependents on agriculture, persists.

Causes of the Decay of Agriculture.

One is led to think from the above facts that there is something fundamentally wrong with our agriculture. It cannot be

1. *The Report of the Royal Commission on Indian Agriculture.*

said that land has, on the whole, ceased to yield as much as it did before. Signs of impoverishment of the soil may be seen here and there, but they are not indications such as suggest that the situation is irremediable. Provided there is greater systematical application of manure, suitable rotation of crops and provision for rest by leaving portions fallow for a period, the condition of land might be bettered. The causes of the sorry plight of the industry should be sought elsewhere. Some of them are easy enough to see. The new standards of living which the ryots developed in the period of high prices, they endeavoured to sustain in the years of depression, and, in the process, ran into debt. Indian agriculture has not had the benefit of the technique of large scale production. There has been no decrease in the cost of cultivation and the expenses incidental to running the industry, unlike in the manufacturing industries. Agriculture bears moreover a higher level of tax burden.[2] Further, the manner in which agriculture is organised is such as does not admit of profits and losses being spread over society at large through the mechanism either of prices or of changes in ownership from time to time through the stock exchanges. The losses in periods of depression are all passed on to agriculturists, while the major portion of the profits in the boom periods is swallowed by others than by the ryots.[3]

Plantation System as Remedy.

If, then, agriculture is to keep pace with other industries, it should effect revolutionary changes in its organisation. The change over from subsistence to commercial farming which, if it is an active factor at all, has been an imperceptibly slow process, should be speeded up. An industry which has to pay 24 per cent and over on its working capital and bear similar charges for every service—storage, marketing, transport and so on—can never hope to become paying in the ordinary sense of the word; if it

2. *Economic Problems of Modern India.* Edited by Radhakamal Mukerjee.
3. *Nature.*

continues to exist, it does so because of the sweated labour it is able to employ. The extension of commercial farming requires that all the advantages which modern industry enjoys should be placed at the disposal of agriculture.

How is this to be done? The success of the plantation system in the raising of such crops as tea, coffee and rubber suggests that the system may be applied to the cultivation of other crops also. Plantation economy, associated as it has been with slavery and grabbing of colonies, has been unpopular everywhere in the past. But properly worked, as Professor C. R. Fay pointed out in his address at the British Association in September 1936, it may yield splendid results. It may be mentioned that his theme was "Plantation Economy", being really a description of the tea plantations of India. The introduction of plantation economy has been attended in countries like Malaya with great prosperity, with the growth of fine roads and railways and a vastly improved standard of living for the people. In India itself, it has not been altogether disadvantageous. "The plantation system, under modern humane supervision, may," as Dr. Dudley Stamp has pointed out, "confer great benefits on a world the agriculture of which is in a state of chaos."[4]

EXAMPLE OF 'OPPORTUNITY FARMS'.

That the application of joint stock enterprise to farming with a certain measure of success is not impossible has been indirectly demonstrated by certain American insurance companies. It is well known that as a result of the great economic depression, prices of agricultural property fell steeply in America as in the rest of the world. Farms valued at 78 billion dollars in 1920 were not worth 35 billions in 1932. Their income likewise declined from 16 billion dollars to less than 5½ billions in the same period. The owners were reduced to insolvency and the properties passed on to mortgage-holders, who had to accept them much

4. *The Structural Basis of Indian Economy*. By H. Venkatasubbiah,

against their will. One such mortgage-holder was a great insurance company which had nearly 2 million dollars locked up in farm mortgages. No less than 10,000 foreclosed farms, mostly derelict, came into the hands of this company. But thanks to its enterprise all of them seem to be on the way to being reclaimed as prosperous businesses. It engaged the services of a trained agriculturist as the head of its farm loan division and commissioned him to put through a programme of development and rehabilitation of these farms. It spent under this programme 9 million dollars for the repair of farm buildings, soil improvement and general trimming up.

The rehabilitated farms were let out on annual lease at a share rental basis; tenants were required to follow a scientific crop rotation schedule under the supervision of the company's representatives and the results were recorded. Advertised for sale as 'opportunity farms', these were taken up as sound going concerns by the members of the public. In 1939, the company sold 1,164 such farms; 91 per cent of the purchasers were resident farmers to whom the company gave easy hire purchase terms. The secret of the success of the company lies in the fact that it has demonstrated to rural communities how scientific farming can be made to pay. The properties leased out by the company operate at a satisfactory profit. It is significant that out of the 4,000 opportunity farms sold by it to others, it has had to acquire only 130.

Recent Trends Favourable

There are already signs that partly under the pressure of circumstances and partly under the advice of agricultural reformers, agricultural holdings tend to be consolidated. In a recent enquiry in the United Provinces, it was found that out of 122 cultivators whose case was examined, 93 per cent of the families had not even the bare necessaries of life earned out of agriculture. Farm accounts tend to show that in the Punjab, the cost of cultivation tends to increase in relatively greater proportion with diminution of the area of the holding and that almost similar

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results are traceable so far as the net income per acre is concerned. The progress of consolidation of cropping and consolidation of holdings in the United Provinces and the Punjab is significant of the new trends in agriculture. The experience which Russia has had of collective farming is worth examining. It is possible to promote the progress of collective farming without resort to expropriation of land. The holders' interest and the owners' interest could be allowed to remain with them by granting them shares in the company undertaking collective farming. Collective farming may also be rendered more popular by the action of land-mortgage banks which may, like the American insurance company referred to above, organise the land which comes into their hands into large holdings to be cultivated on the principles of collective farming. The holding company will be able to give such of the owners as were farm labourers, ample work on the farms at remunerative levels of wages. It may also be able to organise home industries to provide work for the spare time of labourers attached to their farms. The possibilities of effective revolutionary improvements in agriculture by this method seem unlimited.